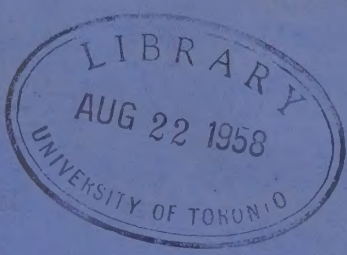


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HYDRO ELECTRIC ENQUIRY COMMISSION

RE CENTRAL ONTARIO SYSTEM
ONTARIO POWER SYSTEM
AND GENERAL SUBJECTS

St Lawrence 2256

TORONTO, JANUARY 9 1923.

W. C. Coe
Official Reporter

HYDRO ELECTRIC INQUIRY COMMISSION

PARLIAMENT BUILDINGS, TORONTO,

TUESDAY, 9th JANUARY, 1923.

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HYDRO-ELECTRIC POWER PLANT

GENERAL DESCRIPTION

The hydro-electric power plant is a type of power plant in which the energy of flowing water is converted into electrical energy. The water is usually collected in a reservoir or dam, and then flows through a turbine which is connected to a generator. The turbine is a mechanical device which converts the kinetic energy of the flowing water into mechanical energy. The generator is a device which converts the mechanical energy into electrical energy. The electrical energy is then transmitted to a load, such as a motor or a light bulb.

The hydro-electric power plant is a very efficient type of power plant, and it is also a very clean type of power plant. It does not produce any air pollution, and it does not produce any noise. It is also a very reliable type of power plant, and it can operate for many years without any major maintenance.

The hydro-electric power plant is a very important type of power plant, and it is a very valuable source of electrical energy. It is a type of power plant that is well-suited for use in areas where there is a lot of flowing water, such as in mountainous areas or in areas with a lot of rainfall.

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PARLIAMENT BUILDINGS, TORONTO,

TUESDAY, 9th JANUARY, 1923.

PRESENT:

W. D. GREGORY, ESQ., Chairman.
M. J. HANEY, Esq., Commissioner.
LLOYD HARRIS, Esq., Commissioner.
J. A. ROSS, Esq., Commissioner.

SIR ADAM BECK

W. W. POPE, Esq.,

F. A. GABY, Esq.

} Representing the Hydro-Electric
Power Commission.

RE ONTARIO POWER SYSTEM.

SIR ADAM BECK Examined.

THE CHAIRMAN: Q--Are you what they call a full time man, Sir Adam ?

A--A full timer ?

Q--Yes, that is, in what you do for the Hydro are you supposed to give all your time to it ?

A--Not supposed to give more than all my time. I am giving more than all my time. I suppose if a fellow hasn't had a holiday for two years he is pretty nearly giving all of his time.

Q--Well, it would be perhaps a fair presumption?

A--I don't spend an hour a week on my business.

HYDRO-ELECTRIC INQUIRY COMMISSION

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THURSDAY, 9th JANUARY, 1923.

PRESENT:

W. D. GREGORY, Esq., Chairman.

M. J. HARTY, Esq., Commissioner.

LLOYD HARRIS, Esq., Commissioner.

J. A. ROSE, Esq., Commissioner.

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THE ONTARIO POWER SYSTEM.

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A--I don't spend an hour a week on my business.

Q--Well, is there any obligation on you to give all your time to it ? A--Yes, absolutely, in this respect : When the work is there I have got to do it. If I can do it in half the time I suppose I would be at liberty to do so.

Q--If you can do it in half the time you would be able to apply the rest of your time to some other business ?

A--Well, I don't know what you mean. I am putting in the office hours here the same as anybody else, and a great deal of overtime every day of the week, very often on Saturdays. You want to know the time I work ?

Q--I just want to know whether you are under any obligation or not ? A--I have never assumed any other obligation

than that. My duty there was to do the work that was imposed upon me no matter what time it took, and the time that I have actually been obliged to spend there has been all my time, as much as a man can physically endure, that is what I have done.

Q--If I engage a man in my office --

A--It isn't a matter of engagement.

Q--It rests largely with yourself ? A--It doesn't rest with myself. There is a specific duty that devolves on the Commissioners and the Chairman, that is, to deal with all matters that are referred to them in connection with their trusteeship, and the duties that I have been involved in, and that I have looked after, have taken all my time, as much as any man could physically stand, as much as a strong able bodied man could do. I would be very sorry if you had to do it, or any other living man, with the number of hours that I have put in on this work.

COMMISSIONER HANEY: Q--^Iou, as Chairman, feel that it is your duty to give practically all your time --

A--No, it is not my duty. My duty is to attend to all matters that are subject to my direction as Chairman of the

Commission.

Q--How about the other Commissioners, are they in the same position as yourself? A--That is their affair. They have attended meetings. I know Mr. Lucas has done a great deal more than that.

Q--As Chairman, you have administration matters to attend to, to a greater extent than the other members of the Commission? A--I have a great deal of detail to attend to.

Q--And administration? A--Well, not more than they have.

Q--As Chairman? A--No.

Q--Isn't it delegated to you? A--I have a great many agreements to sign, and correspondence, and so on, that they haven't, but all these other matters are dealt with by the Commissioners.

THE CHAIRMAN: Q--Would you be under an obligation, Sir Adam, to give as much time to that work as a Manager of a Bank would do? A--Yes, a great deal more than a Manager of a Bank.

Q--Well, now, he is not allowed to take on anything outside his work. Are you in the same position, or are you at liberty to do that?

A--I happen to be in business, but the business has been absolutely neglected ever since I have been a member of the Commission.

Q--What I was trying to get at is, are you under any obligation to the Government --

A--If you want to know my private affairs I will tell you them. When I took on this affair I organized my business into a stock company and took in my heads of departments, and I turned the business over to them, and it is only occasionally, as a matter of policy, that I have, in

any way, attended to my business.

Q: There are a great many men holding positions that are not bound to give all their time to them; there are other men that are bound to give all their time to them, whether they want to or not. What I am trying to get at is your position, whether it is left to you to give such time as you think should be given to the Hydro or not?

A: I think commissions such as yours that have been appointed to investigate us take up about as much of a man's time attending to those matters as is consumed in ordinary affairs. It is as much as he can do to attend to them.

Q: Well, that is hardly answering my question. Are you under any obligation? A: Absolutely. My obligation to this work is constant attention if required and when required, and it so happens that it has been required every day that I could go out and maintain health and strength to perform the work since it started. You know that as well as anybody else.

Q: Well, I am not questioning whether it is right or wrong but I just want to get - A: You want me to say something that serves your purpose.

Q: Not at all? A: Excuse me, that is the impression I have got.

Q: My purpose is to get at the facts? A: You know the facts. You know that ever since I went on that Commission I have worked day and night, Sunday and every other day. There isn't a man living that could stand up on his feet and do the work that I have done.

Q: I am not suggesting you are not doing it, I am just wanting to know whether there is any obligation resting on you? A: The duties as Chairman take up all of my time.

Q: And if they didn't take up all of your time you would be under no obligation to ^{be} there?

A-- I have got no written agreement. I accepted the position as Chairman, and whatever that involves I have performed the duties to the best of my ability, and I have given it all my time.

Q-- There is no written agreement then? A-- There is no written agreement, no, but there is a specific duty.

Q-- Is it defined by statute that you shall give your time to it exclusively? A-- No, there is nothing defined that I know of. What I am to do as Chairman of that Commission is to attend to the duties that are involved, and I think I have done it well. More than that I do not think there is anybody else that could stand up under it, as I have told you.

Q--What would your opinion be as to whether it would be well to have what would be called a full time Board to manage the affairs of the Commission? A-- I haven't an opinion to offer. That is a matter of policy for the Government. I am not going to express an opinion.

Q--Have you no opinion about it, it is rather an important question? A--I am not going to express an opinion.

Commissioners

Q-- Don't you think it would be well if all the would give their time exclusively to the Commission? Do you think there is enough work to justify the Government requiring that all the Commissioners should give their full time to the work on the Commission? A-- Well, if you go back, Mr. Chairman, you will find the heavy responsibilities required of this office, and the condition that has been created, a condition that never can happen again. We are now coming to a point where it is largely a matter of operation. In the past it has been a matter of construction, and of acquiring large properties, work that has been done, I think, as thoroughly and as well as anything of the kind

could possibly have been carried out, and that is practically all over. Seventy odd corporations have been absorbed, and that entailed a great deal of responsibility and work.

COMMISSIONER J.A.ROSS-- If you build another canal you would have a large program of construction on hand?

A-- It would be a simple manner to what we did before through the war. We couldn't possibly do that again.

THE CHAIRMAN. Q-- You think then that the work in the future is likely to be lighter than it has been in the past for the Commission? A-- Well it should if we are left alone, and allowed to operate the systems. We cannot have this sort of thing going on, upsetting our organization, making everything more difficult for everyone.

Q-- Do you think that any change should be made whereby a Commissioner should give his whole time to the work ?

A-- Why, with a well organized force I cannot see anything wrong about it. It depends on the calibre of the men and the interest they take in the work. I think Mr. Lucas, during a great part of the time, was there almost constantly, wasn't he.

MR. GABY: He spent a great deal of his time there.

CHR CHAIRMAN-- He was the Attorney General at the time.

A-- No, no, since he left.

Q-- Most of the men who have been appointed on the Commission have been business men, having their own business to look after as well, and it has been understood, I think, that they should do so. What I was trying to get at is whether you think there should be any change by which a man if he were a member of the Board, should be required to devote his full time to it. A-- I am answering it, the very same as your Toronto Hydro System is operated. Those men, I suppose, get \$6,000 a piece.

MR. GABY: \$4,000 to \$6,000. I think Mr. Ellis gets \$6,000.

A-- I think they get \$6,000, the members of the Commission. I don't think the Mayor does, but Mr. Ellis and the other members get \$6,000. They are, of course, in business, and attend to their business.

THE CHAIRMAN: Q-- They are not required to give all their time to it? A-- I don't know what they are required to do. I know they are in business.

Q-- During this last year or so, Sir Adam, you have been engaged as arbitrator between the City and the Street Railway? A-- Yes.

Q-- Did you require to get the consent of the Government to take a position of that kind? A-- Not that I know of.

Q-- Did you get their consent? A-- Yes, I conferred with Mr. Drury personally. I told him they had asked me to take this on, and I asked him if there was any objection to my taking it on.

Q-- How much of your time did that take up during the past year? A--Well, it took about four hours a day when we sat, four days a week.

Q-- Would there be 150 days? A-- I suppose there would be, I wasn't there at all of them.

Q--Why did the Commission, Sir Adam, buy the Ontario Power Company, buy the stock of it? A--Oh, because it was thought desirable that we should get control of it. They claimed certain rights on the Chippawa, which we did not admit. They were paying rentals, and the Chippawa development was somewhat dependent on having control of the company.

Q--In what way? A--The agreement between the Province and this Commission was entirely different from any other, inasmuch as there was no limit as to the amount of water they could use, that is, all they could put through three pipes of eighteen feet diameter.

Q--That is, the agreement between the Parks Commission and the Ontario Power Company? A-- Yes. They had the

right, I understand, to use three pipes, conduits, eighteen feet in diameter, and they had a right to use all the water. At least, there was no specific quantity of water fixed, other than later an order-in-council was passed fixing it, but the legislation that was to follow the order-in-council was never passed.

The Government concluded, on the report of the Commission, to acquire the property. It could be acquired on the basis that it would be self-sustaining, and self-supporting, on the contracts and so on, that the company had made. What was the year, that was before the war, wasn't it?

MR. GABY:-- 1914, negotiations first commenced.

THE CHAIRMAN-- Yes. It was taken over when?

MR. GABY-- 1917.

SIR ADAM BECK-- Of course, the demands of the Power Controller were to increase the capacity, and three and a half millions dollars was added.

THE CHAIRMAN, Q-- That is what you call the third pipe line? A-- Yes, the wood stave pipe line.

Q-- That is, after you acquired the property?

A--Yes.

Q--But then the Control of a certain quantity of water had nothing to do with your getting the Ontario Power Company? A-- Oh, yes. I mean the quantity of water that they were supposed to have the right to use was not specifically fixed in horsepower quantities as it was in the case of the Electrical Development on the Canadian Niagara. There the amount of power they could develop was specifically fixed at 100,000 and 120,000 respectively, but with this company apparently there was no quantity of power, or quantity of water specifically fixed in the agreement that they might use, merely the capacity of three

pipes, and if they had been used to full capacity inefficiently there would have been very little water for any other development, probably none.

Now, that was one of the reasons, as I remember it, why it was thought desirable on the part of the Government and the Commission to proceed and open negotiations. My fellow Commissioner, Colonel Henry was on the Commission when it began, I know Mr. McNaught was on, and negotiations were opened with the view of acquiring the property, and ultimately, it was all a matter of friendly negotiations. We could not compel the company to sell out, and they had their ^{rights} there. The final terms and conditions, and price, and means of paying for the plant were settled, and it was submitted to the Government, and it was bought.

Q--Then was the bearing of the water supply upon the purchase not affected - A-- That was one of the things, I think.

Q--That was used on the Ontario Power Company?

A-- They had a legal right there, that was their claim. It never was tried out, but they contended they had a right to use all the water that they could use through three eighteen foot conduits or pipes, and I think they designed a second pipe more the shape of an oval and by virtue of that shape of pipe the amount of water that they could get through it was increased to quite an extent, although the total area of pipe was eighteen feet in diameter.

Q--Well, you have been saying in part that the Ontario Power Company, just as much as a private Company, would have used the water had they chose to operate it? A--Why, we have only got two pipes there.

Q-- You have three pipes there now? A--Yes, but there is a small pipe. These were eighteen feet.

Q--Which are eighteen feet? A-- The other two.

Q--Then what is the diameter of the other? A--Twelve feet, the wooden pipe line.

Q--Of course, they were not using that at all, they had only the two? A--Yes.

Q--They were entitled to use three eighteen foot pipes?

A--Yes.

Q--How does the cost of power to you, when you were buying it from the Ontario Power Company, compare with the cost to you now that you own it, per horsepower? A--Well, of course, the operating costs have enormously increased since we bought it. I don't know what it is now. I know we are meeting all our obligations out of plant. The cost of operation has gone up considerably, and our capital investment has been increased by three and a half million dollars temporarily, and it was never intended to operate it until we could use the water on the Chippawa.

Q--What were you going to do with it then? A--With what.

Q--With the Ontario Power Company? A-- Well we would use it in other places.

Q--Use the water in other places? A--The material, generators and wheels. I think the generators were to be used to synchronize the load, and the wheels were to be used in other developments.

Q--Were you practically then to close down at the present site of the Ontario Power Company? A--Not that I know of. These two units that we put in were put in ^{on} account of the war. They were to be discontinued.

Q--But what you say now, did that apply to the others?

A--I suppose, ultimately, some day they will do what they are doing on the other side, do away with them entirely.

Q--Haven't you any specific time in mind when you say that?

A--It depends on the demand for power. When it is

economically properto do so it will be done.

Q--What will be done? A--The water will be used at a higher head.

Q--That would be the Chippawa; have you got that in mind?

A--Not the Chippawa. No way of getting a full head between Lakes Erie and Ontario, the full fall.

Q--That is the only place, Sir Adam, where you are getting it now? A--That is the only place where we are getting it now.

Q-- Well, what other places would you have in view?

A--No one suggested that for the present development that we require to close them down.

Q--No agreement has been arrived at? A--No, but a recommendation has been made. The War Department resident engineers have recommended a 44,000 second feet for the ^{further} diversion at Niagara.

Q--But having regard to the present Treaty rights, nothing further, you might require to close down the Ontario Power Works, I will say in part with the full development of the Chippawa? A--It depends on how many generators you install.

Q--Will you have to close down any of the present generators operating? A--No, not now, not with what we have got.

Q--Supposing you have nine generators installed at Queenston, will you be able to provide water under the present treaty for all those generators, and for the Ontario Power plant and other plants as well? A--We cannot tell that until we have definite information and data of the actual capacity of the canal and the efficiency of it, which no one can estimate, I believe, accurately until we have tests made.

Q--I presume you have made some estimates? A-- We haven't any report that I know of any more than we had before.

Q--Would it be correct to say that you believe that under the present treaty rights, that is, 36,000 second feet, you could operate to the full capacity the Queenston-Chippawa Canal? A--Now, Mr. Chairman, you are asking me for data and figures here that I am not carrying about in my head. If you have any specific information you want we will get it for you, but you are not going to get me in such a haphazard way and then use it as it sounds, and means actually nothing. If you want certain data and actual figures and information, don't you think it would be proper to let me know what it is you want.

Q--Oh, yes, we asked for it in April? A--And you haven't got it yet.

Q--No? A--It is because we cannot give it to you until we know the water we are using. You cannot tell with a generators or two on them.

Q--I am not asking you to say anything except -

A--I am not going to attempt to give you figures that are very technical, I mean information that is very technical, along with the figures.

Q--That is not very technical? A--I think it is. I am not going to give you those figures in a haphazard way, if that is your aim in the evidence you are trying to get. You cannot get the facts from me in an off-hand way like that. I can talk to you about those things in a general way.

Q--Well, then, you cannot say whether there is sufficient water under the present treaty to supply those three places? A--How can I tell. I have my own ideas, but I don't know that they would be of value to you. You want something that is as nearly accurate and reliable as is possible.

Q--Let us have your ideas? A--I haven't got any ideas

other than I require for my own judgment in dealing with these matters. When I get the proper information I deal with it, with my colleagues, in the proper way. You are asking me matters here in a haphazard way, in a way that is perfectly ridiculous.

COMMISSIONER J.A.ROSS-- You have developed the canal, Sir Adam, on the basis of your general ideas. They must be of some value? A--We did.

THE CHAIRMAN--Why not give them to us?

COMMISSIONER J.A.ROSS-- You don't mean to say you did not build that canal without knowing you would have enough water for it. I think your general ideas would be very valuable to us? A--I am not going to give you all the ideas that I have got. I know we bought the Ontario Power Company for very very vital reasons. It was considered by the Government a very admirable purchase. I know I am not complimented on all things I do, but I was complimented by the Government, verbally, and by my co-Commissioners for having been able to purchase a large property on such reasonable terms, on easy terms of payment, and get control of that development.

Q--Why didn't you expropriate the Ontario Power Company instead of negotiating for a sale? A--Because we did not want to pay double for it.

Q--What led you to believe you would pay double for it if you expropriated it? A-- It was a Dominion Chartered Company.

Q--I am not saying that fourteen million dollars was too much, but what led you to believe you would pay double for it if you expropriated? A--As I say it was a Dominion chartered Company, and no one thought of expropriating.

Q--Well, someone must have thought of it, because in your annual report of 1921 there is a statement

setting out that expropriation was thought of, and I want to know why that wasn't gone on with? A--Well, I don't know that that was considered by the Board. I never heard of it, only in a general way maybe.

THE CHAIRMAN--Q-- Have you done anything officially, Sir Adam, about scrapping the plant of the Ontario Power Company? A--There was another reason we bought it out, one reason deemed desirable. They had power to export power. They had an agreement to export 60,000 horsepower, and we were able, in the purchase, to curtail the period of time under that contract very materially.

COMMISSIONER HARRIS; Q-- Sir Adam, there is nothing mysterious about this purchase of the Ontario Power Company. You approached it in a business like way, you thought that you needed it. You said a few minutes ago that the Power Controller had suggested that this third pipe line be built. A--No, I said the demands of the Power Controller were such that the Commissioner thought it desirable to make this expenditure and also to carry us through until we could get the Chippawa completed, during the war and after the war.

Q-- You did not make the statement then that the Power Controller suggested that this third pipe line be built? A--The Power Controller's demands were such that we had to do it. It deprived the municipalities of light and power all through this whole district.

Q--Of course, you know at the time that you could not do that work inside of two years? A--Did you know how long the war was going to last.

Q--No, but nobody did then? A--It took a great deal longer time than we thought. Do you suppose we did it for amusement?

Q--No, I don't think you did it for amusement, but why

you did it is a question I have never been able to settle satisfactorily in my mind. For instance, the Ontario Power Company operated two pipe lines, they built two pipe lines, and they still had the right under their agreement with the Government to use three, so as to give them another additional perhaps, 40,000 to 50,000 h. p. ? A--Yes, 30,000 to 40,000 horsepower.

Q--Well, I think that your own engineers figured on 50,000, supplying an additional 50,000 ?

A--Well, they might get the water there, but they might waste it very inefficiently.

Q--Then the question came up of the Ontario Power Company getting permission to build a third pipe line which, I believe, was refused them by the Victoria Park Commission?

A--They may have refused them. That is why they were prepared to sell on those reasonable terms, because the Government passed an Order-in-Council fixing the amount of water they should use, based on that amount of water, the additional water it would give them, it would not pay them. Mr. Albright said it would not pay them to spend \$3,000,000, or whatever it was, to put in the additional pipe line.

Q--Well, before the Hydro bought the Ontario Power Company, they had arranged to build this third pipe line at the Hydro's expense, and on account of the war and the shortage of steel, it was decided by the American Government that they would not be able to supply them with the steel which had to come from the United States ? A--Steel for what ?

Q--To build the pipe line, to build that third pipe line?

A--What was all that steel that was lying there ?

MR. GABY: That was only form steel which they held there. There was no undertaking on the part of the Commission, or discussion with them, that they should build for the Commission that I know of, or on account of the Commission.

COMMISSIONER HARRIS: Q--Well, at any rate, the Hydro said that they could build this third pipe line, and before the Hydro purchased the Ontario Power Company this arrangement was made that the Hydro would build that third pipe line and put in the generating units at the bottom in order to produce, I think, an extra 40,000 h. p.

A--That is the first that I have ever heard of it, that was never discussed, or was only discussed after we took over the plant. All I know is that Mr. Albright, in the negotiations, said, we cannot afford to put in a third pipe line if we are going to be limited with this water, Although it was only an Order-in-Council he presumed that they were going to pass legislation fixing the quantity, because water became very valuable. When these contracts were let no one had any idea about quantities of water. They were simply told they could put in three 18 foot pipe lines.

Q--At any rate, that was what happened, the third pipe line was arranged to be built under Hydro auspices ?

A--That wasn't until after we had acquired the plant.

Q--That was started before you acquired the plant ?

MR. GABY: No, sir, nothing was started, nothing thought of. The plans were made after we acquired it.

COMMISSIONER HARRIS: Are you sure of that ?

MR. GABY: Absolutely.

COMMISSIONER HARRIS: Well, at any rate, that is immaterial to the discussion. It was the Hydro idea that that third pipe line should be constructed, and it was to be constructed for the purpose of increasing the production of power from the Ontario Power Company.

SIR ADAM BECK: Until the Chippawa was finished, to provide power at the time to the manufacturers, and during the war, and on the demand of the Power Controller -

Q--That that should be built ? A--No, that power should be produced.

Q--The Power Controller never made any demand that that should be built ? A--He did, personally. In conversation he said, all right, you put that in and we will see you through on it, practically words to that effect, at least we understood it that way, - but in the meantime we have got to have more power, here is what I have got to have.

That is what he said, and we were curtailing municipalities, turning off their street lighting, curtailing manufacturers, and the only thing to do was to rush this job through.

Q--You were not doing as much as they were doing over in the States. Right across the line they went a great deal further than that, by controlling the power for only essential uses? A--I don't think so, only on account of the coal shortage, no doubt.

Q--Oh, no, right immediately across the line. Of course, I was very familiar with that situation, because all those negotiations had to come through my office in Washington, and I was in constant touch with the Power Controller at the time ?

A--At any rate, the Government and everyone else was convinced that it was our duty, and the proper thing to do, and we did it that is all. It served us a good purpose in the end, and if the war had gone on it would have been doubly valuable.

Negotiations were carried on, with the Power Controller, and others, with a view to speeding up the Chippawa in case the war lasted four years more.

Q--I was concerned in all those negotiations, and I arranged for the conferences that were held in Washington with the Power Controller when he visited there?

A--He came and told me that he had visited Washington, and that they were seriously considering sending men and money to hasten on the development of the Chippawa.

Q--Someone made the statement that the United States might assist in the financing and building of the Chippawa, but it was never seriously considered ? A--I only know what the

Power Controller told me, because matters were pretty acute as far as power was concerned, and I know what Mr. Blakely told me at the conference we had at the Falls. He said he depended on the next month or two to see what happened in Europe, whether they wouldn't come across and help us to push it through.

Q--Yes, I was familiar with all those negotiations ?

A--And the Duponts, I met them at Washington, and we discussed ~~ways and means~~ of increasing the speeding up of the work at the Chippawa so that they could locate a temporary plant for the manufacture of explosives.

Q--Well, at any rate, what actually happened was that that third pipe line was proceeded with ? A--Yes.

Q--It was proceeded with on the basis of estimates that were made by your chief engineer ? A--Yes.

Q--Amounting to \$1,806,000 ? A--Yes.

Q--To cover an additional power production of practically 50,000 h.p.; that included the pipe line, the generating units, and the addition to the building in order to increase the power plant of the Ontario Power Company from 160,000 h.p. to 200,000 h. p. ? A--Yes.

Q--That is practically what you were aiming at ?

MR. GABY: We got 190,000 to 200,000 out of the plant.

Q--That was to be done on an estimate of \$1,806,000 , when the work was completed,- and it wasn't completed so as to be of any use during the war --

A--No, the war fortunately stopped.

Q--It was not completed so as to be of any use during the war, and the extension to the plant instead of the estimate of \$1,806,000 has actually cost \$3,516,094.93. That power was then produced, and the plant increased by that production until April of this year when the accident took place and practically destroyed the additional power that

was supplied at that cost of \$3,515,000 ?

A--It was destroyed sufficiently, in view of the use we could make of the water at the Chippawa within a reasonable period, that it would not pay to reconstruct.

Q--That is practically what happened, that is practically the history of the transaction, isn't it ?

A--Well, that is your idea of it, I suppose.

Q--Well, are those figures right ? A--The figures are, I suppose, yes.

Q--Are the facts right ? A--Well, you have got one idea of the facts and I have got another.

THE CHAIRMAN: Q--Mr. Harris asked if the facts are right ?

A--We know this much, the wood stave pipe line does give us a very large increase in capacity out of the generators in the main operation of the Ontario Power Company's building.

Q--Would you have constructed the third pipe line for that purpose without reference to the putting in of any further generators ? A--No, not that I know of.

COMMISSIONER HARRIS: What is the capacity of the plant at the present time, Mr. Gaby ?

MR. GABY: About 175,000 horsepower maximum, 170,000 to 175,000. We have run over 175,000 with two units out.

THE CHAIRMAN: Is that the average production now, Mr. Gaby ?

MR. GABY: It depends. It would be the average load factor of 100 per cent. I mean, that would be continuous capacity under certain conditions.

THE CHAIRMAN: Do you get continuous capacity now to that extent ?

MR. GABY: You could, you see, if the load was there, with certain conditions at the head waters.

COMMISSIONER HARRIS: The load has been there, and is

there at the present time, but you are not getting 175,000 horsepower.

MR. GABY: We are. The load factor varies during the day. It does not remain a constant factor in a plant of that kind during the 24 hours.

COMMISSIONER HARRIS: Of course, you haven't begun to get anything like that during the past two years.

SIR ADAM BECK: We have run that plant up to 175,000 horsepower.

Q--I say you have not been able to get anything like 175,000 horsepower, say, in the past year.

MR. GABY: Because you haven't got 100 per cent load factor, all the time. If you have 100 per cent load factor you would get it all right --

COMMISSIONER HARRIS: You had as near 100 per cent load factor last year as you are ever likely to get. You were short of power throughout the year, because that is what you claim.

MR. GABY: That is, the station has been, They were short of power, I think, for a few months, during the putting in of the second generator or the first generator, repairing the accident to that generator, then we were ^{not} short at all from that time on.

THE CHAIRMAN: Q--I thought you were buying power, Sir Adam ?

A--We were buying power during the period when the two generators were out of commission. As soon as the Queenston generator was repaired again that relieved us of the necessity of buying power.

Q--When did you stop buying power altogether ?

A--We have been buying power right along.

COMMISSIONER HARRIS: Q--You are buying now ?

A--We are buying now.

Q--And the statements that went out from Hydro last year show that you were short of power.

MR. GABY: Even that doesn't infer that you would operate 24 hours on 100 per cent load factor.

COMMISSIONER HARRIS: Of course, for quite a period during 1922 the Ontario Power Company, - when these two big new generators went out they put out of business five or six other generators, you know?

A--Yes, they did.

Q--And your power production there was down to about 100,000? A--Due to the accident to those machines.

Q--And that continued for quite a number of months, it wasn't all remedied in a week? A--That isn't the statement I made. I said the plant can produce 175,000 horsepower under certain head conditions, but if your machines are out, why, you cannot generate it.

Q--Well, that is the statement that we have got anyway, and that is a matter we will have to turn over to our engineers.

A--The machines were out of commission for a number of months.

THE CHAIRMAN: Q--About three months?

A--Between two and three. That was an accident due to the breaking of those air mains on the rotary.

THE CHAIRMAN: Q--At the time you took over the Ontario Power plant, Sir Adam, had you not a contract in writing for a number of years for the supply of 100,000 h. p.?

A--Yes.

Q--At what price? A--Nine dollars.

Q--The cost now, owing to the increased costs we spoke about, is considerably more than that?

A--You mean on account of the increased cost of operation?

Q--Yes, on account of the increased costs of operation?

A--I haven't got my figures in mind.

Q--Couldn't you make an estimate, wouldn't you like to say what those costs are? A--I wouldn't like to make a guess.

You could take the three and a half million dollars and bring

it back to the conditions existing in 1917 in the Ontario Power Company, perhaps --

Q--Haven't you a pretty good idea what it is costing you today ? A--We were charged \$9 a horsepower from the Ontario Power Company. Up till last year when the Queenston-Chippawa plant came into operation that was the charge to the municipalities under their contract, in the same manner as they had received it before. Additional power was charged for at the same rate.

Q--Are you giving us a statement of the power now ?

MR. GABY: You have a complete statement of the cost of power, including the purchased power and the additional expenditure made on the Ontario Power Company's plant.

THE CHAIRMAN: You have given that to Mr. Francis, Mr. Gaby ?

MR. GABY: He has it all.

THE CHAIRMAN: Oh, well, we will hear from him on that.

COMMISSIONER HARRIS: But ^{it} is more than nine dollars?

A--We paid \$18 to \$20 a horsepower for a good deal of that power up to 90,000, anywhere from \$15.00 to \$20.00 a horsepower was paid for that power necessary to some municipalities, and after paying \$18.00 to \$20.00 for 90,000 horsepower the average is only \$12.50.

THE CHAIRMAN: Q--If you hadnot bought the Ontario Power Company you would still be entitled to get 100,000 horsepower at \$9.00 a horsepower from them ?

A--If we hadn't, yes, we had a contract. But remember, Mr. Chairman, as I pointed out before that wasn't 100,000 horsepower; under the contract that meant approximately 92,000 to 94,000 horsepower, because under the limitations that were put on the delivery of that power it made it practically impossible for us to take any more than 92,000 to 94,000.

Q--But, at the same time, you got 100,000 ?

A--On peak, momentary. That didn't mean anything as far as the rate to the municipalities is concerned, because they purchase on a 20 minute peak.

COMMISSIONER HANEY: Q--To what companies have you paid \$20 ?

A--The Niagara Falls Power Company, that would be the cost taking everything into consideration, exchange and so forth.

Q--How much did you get off them ? A--We got altogether somewhere in the neighborhood of about 30 or 40,000, as I remember, some of the time.

Q--That was produced on the American side, was it ?

A--That was produced on the American side.

SIR ADAM BECK: Where was it got ? I thought we got it out of this plant.

MR. GABY: Some of it. That is the only way they could deliver it to us.

THE CHAIRMAN: Q-- I should recollect, Mr. Gaby, but I am not quite sure as to the price which you are now paying for the supply on the American side, how much horsepower are you under contract for ?

A--We had a contract which was limited during the period between 1917 to 1920 to 50,000 horsepower at \$12.50, I think, is the way the contract reads.

Q--What is it now ? A--It is two mills a kilowatt hour, I believe, or something in that neighborhood. We have to take, under that agreement, 60,000 h.p. at \$16.50 --

Q--You are selling about 60,000 ? A--The contract, which has been in existence for a number of years, provides for 66,000.

Q--That is, at \$16. a kilowatt ? A--\$16. or \$16.50 up to 40,000 kilowatts, then on meter reading beyond that.

Q--That would be about what ? A--\$12.50 a horsepower.

Q--And is it 60,000 horsepower or 60,000 kilowatts ?

A--60,000 horsepower.

COMMISSIONER HARRIS: Q--And you will probably have to supply that to the United States at considerably less than cost ? A--No. Under the contract the cost, on the contrary, was less than \$12.50.

Q--Will you keep the Ontario Power Company plant operating in order to fill that contract? A--Oh, yes.

SIR ADAM BECK: Not in order to fill it, but we will operate it as we see fit from time to time as the most desirable thing to do.

Q--But you are quite sure that your cost at Niagara Falls will not be more than \$12.50 per horsepower ?

MR. GABY: I am now speaking of the plant that was owned by the Ontario Power Company, at the time they were delivering 60,000 horsepower, we bought it. Since the Queenston-Chippawa led to greater capacity it will probably be less than \$12.50.

Q--You were fully aware of those contracts, and of those conditions, before you bought the Ontario Power Company?

A--Yes, sir.

Q--And you bought it with full knowledge of those different contracts that were in existence ?

A--Yes, which so far have been a paying proposition.

Q--Yes, at the time? A--At the time.

SIR ADAM BECK: That we could carry the plant and pay for it. That is the conclusion we all arrived at anyway at the time we bought it.

THE CHAIRMAN: Q--You spoke just now, Sir Adam,--perhaps you will correct me if I am mistaken in this -- of using the generators that you cannot use at the Ontario Power Company plant in some other place ? A--No, they would serve to synchronize the load if we do not use them anywhere else.

MR. GABY: We have to place generators of that capacity on the system for the purpose of regulation, and the intention

was to use three elsewhere, also the turbines elsewhere, and a great part of the wood stave pipe line was to be used elsewhere.

Q--When you say elsewhere, have you any definite place in mind, Mr. Gaby ? A--Yes.

Q--Where was that ? A--When it became necessary to develop on the Eugenia System, why, we would use the pipe line there, and use the turbines there.

Q--When you said elsewhere you did not mean in the Niagara district? A--No.

SIR ADAM BECK: And the generators ?

MR. GABY: The generators would be used in the Niagara district. The turbines, pipe, valves, and things of that kind were to be used on another system.

COMMISSIONER HARRIS: Q--The two generators that you put in there could not be used on another system ?

A--On the Niagara System for synchronizing the condensers of 20,000 K.V.A. capacity, for the purpose of regulation. It would be economy to do so, at Windsor --

THE CHAIRMAN: Q--Well, then, if you use these generators elsewhere, and the turbines elsewhere, you will practically close down the Ontario Power Company plant altogether ?

A--No, sir, that still leaves 14 machines operating.

Q--Oh, you were not speaking of those fourteen transformers?

A--No, just the two extra transformers.

Q--But now they are gone you haven't got them at all?

A--We didn't think of ever using the other turbines at all. It was just those two that were put in as a temporary connection, and as provided by the Queen Victoria Power Commission agreement.

Q--Then you have no purpose in view for the fourteen which you have got at the present time ? A--No, except to operate them.

Q--Would it be practicable to use them elsewhere ?

A--Oh, you could. Generators could be used elsewhere if

it was a matter of necessity, but as to whether it is economy, or businesslike, that is a matter to be determined at that time.

Q--If the water that is now used for the Ontario Power Company plant is taken off in another direction, of course, it would mean that they would be idle, and you could not use them at all.

SIR ADAM BECK: I suppose, Mr. Chairman, we would be just in the same position that they were in in the United States when the Government increased the allotment of water to the Niagara Falls Company by 4400 second feet. That was on continual fall, discontinuing the operation of the hydraulic plant with its low head, and the company evidently considered it good business to scrap the old plant, get the additional water, and build a new one at the foot of the fall.

Q--I am not questioning the wisdom of doing that at all?

A--That is a matter of judgment when the time arrives.

Q--I note, Sir Adam, that ^{when} you were down at Washington appearing before the Committee of the House of Representatives you said:

"When the time comes that more water or power is essential, we can take the ten or twelve thousand cubic feet per second of water now being used comparatively inefficiently in the Ontario Power Company plant, and use it in connection with our Queenston-Chippawa scheme, thus securing the advantage of the full head available between the two Lakes."

A--Because we controlled it --

Q--Anyone reading that would perhaps conclude that was your intention? A--No, I merely stated it was possible because we controlled the plant. We could take the water and use it that way, because we controlled and owned the plant. That is all I had in mind at the time.

Q--And would it be necessary, in your judgment, to use it in order to fully use the Queenston-Chippawa plant?

A--I don't know, I cannot tell you that today, but it will be a standby, we won't need to put in as many generators; it will always be standby for either of them. It takes about a third of the capacity to give you the amount of one generator in the Chippawa.

Q--How much ? A--One-third.

Q--The cost of that third line and those two generators, Mr. Gaby, was about \$3,500,000 ?

MR. GABY: Yes. You must take into consideration, Mr. Chairman, that those estimates were based on conditions that were existing at the time the estimates were prepared.

Q--You will recall, Mr. Gaby, the other day you said you would show us how the additional cost was incurred ?

A--We will have a statement prepared on those estimates, considering the conditions, cost of labour and material at the time the estimates were prepared. We actually had to spend more money for material, and for labour in view of war conditions, that is, the wages were increased considerably, and material increased considerably.

Q--Yes, and I think you said possibly that the development had been increased ? A--No, the development was exactly the same, except there were changes in construction work, necessitated not by the Commission but by rulings of the Victoria Park Board, or something of that kind.

Q--You have detailed estimates. The estimates were prepared originally, and it should be a comparatively easy matter to show which portion of them were increased ?

A--Yes.

Q--If you could let us have those, Mr. Gaby ?

A--We can show you a comparison between the actual cost and the estimate, and we can show you what the cost would have been had the unit prices available at the time the estimates were prepared remained the same, that is, in 1917 when the estimates were originally prepared. In other words,

the cost didn't vary from the actual estimates that were prepared in 1917 for the Queenston-Chippawa --

Q--If you will give us that statement showing to what extent and in what respect then, we will be glad to have it.

SIR ADAM BECK: I suppose, Mr. Chairman, it is just the same thing that is making the Welland Canal estimated to cost \$30,000,000, cost \$100,000,000. It was not an essential during the war, and they could work when they wanted to and stop when they wanted to. It wasn't a rush job, there was no time limit on it. The last figures we have gotten from engineers show that the Canal will cost at least \$100,000,000, and I know that the original estimate was \$30,000,000.

COMMISSIONER HANEY: \$55,000,000.

A--Mr. Cooper made the statement in the House somewhere that they would build this canal at an estimated cost of \$30,000,000.

COMMISSIONER HANEY: \$55,000,000.

A--When it was first mentioned and talked about it was \$30,000,000. It is costing double, and it wasn't a rush job during the war, and they hadn't a fixed time when they had to have it finished.

THE CHAIRMAN: We won't go into the Welland Canal. We might go into it for the purposes of comparison, but we haven't touched the Chippawa yet, and I think we had better confine ourselves to the Ontario Power Company. The cost of this pipe line and generators was \$3,500,000, and I understand from you that it isn't the intention to replace those two generators that were destroyed in the accident last April, is that it? A--I don't think it is the intention, it has not been discussed. It has just been left open to be reported on. What the Commission may decide to do I am not prepared to say.

Q--And the fourteen generators that are now operating there

were, at the time you purchased the company, served by those two pipes ? A--Well, I don't think, Mr. Chairman, it was intended to operate the whole fourteen on those two pipes. They always had to have one or two spares, but, as a matter of fact, they have been operating right along when needed.

Q--They could be operated good though from the two ?

A--Yes, inefficiently. You wouldn't get the amount of power that you would in each generator if you turned them all on, because the capacity of the two conduits was certainly incompetent to keep up the same efficiency as the three, and you didn't get the same amount of power.

COMMISSIONER HARRIS: Q--They would have to be operated in order to get the 175,000 horsepower ?

A--Yes.

THE CHAIRMAN: The water getting through the third pipe line helps you to increase the amount ?

MR. GABY: Anywhere from ten to fifteen.

THE CHAIRMAN: So that is not a total loss then ?

SIR ADAM BECK: We have been doing that right along. We are able to generate as high as 175,000 out of the plant, because we get from 10,000 to 15,000 more out of them due to the third pipe line.

Q--So that is something to be gained by the third pipe line. Aside from that it is a dead loss, that is, the third pipe line --

A--Not a dead loss. If the war had gone on it wouldn't have been a dead loss. That is not a fair statement to make, Mr. Chairman. That was done, as all other business ^{was} taken care of, to meet a temporary demand that we thought was justified, to help out war conditions.

Q--Oh, yes, you got some use out of it, but it wasn't until some time after the war was over ?

A--The war fortunately came to an end, and because of it coming to an end, and because of the increased demand of the

System we had it for other purposes.

Q--It might have been justified ? A--Well, we thought it was. That was what we had in mind when we were spending the money.

Q--Those two generators were absolutely destroyed ?

A--Yes, and the whole plant may be destroyed tomorrow by fire, or something else. We didn't set it on fire, or no one blew it up intentionally.

COMMISSIONER HARRIS: You don't carry any insurance on it ?

MR. GABY: We did during the war.

THE CHAIRMAN: Was there any insurance on these two that were destroyed ?

MR. GABY: No.

COMMISSIONER HARRIS: But you had insurance on it during the war ?

COMMISSIONER J. A. ROSS: Q--Mr. Gaby, would the production from those fourteen generators you are operating now of ten to fifteen thousand horsepower have justified the building of that third pipe line without any regard to Nos. 15 and 16 ?

MR. GABY: I doubt whether that would have justified us in doing that, but these generators have more than paid twice over the expenditure that has been made in that plant. We could not have got the power, as far as the industries are concerned --

Q--I appreciate that absolutely, but is there an answer to my question in your mind ?

A--If one had to pay about \$300,000, nearly 9 per cent on the investment, that is, if the power had been necessary, the 15,000 would probably have paid for the investment of that third pipe line during the period on that basis, that is, you ^{would} have paid from 1918 to 1920 -- that was

operating, as I remember it, from either June 1918 or 1919, 1918, I think it was, that is the wooden stave pipe line, and that gives 15,000 horsepower additional for the purposes of that uptill June 1922, so that is nearly four years.

Q--If you didn't have the third pipe line today, having 14 generators ^{lying} there, would you build it ?

A--No, we would not in view of the Queenston-Chippawa development.

Q--So it is very largely a dead loss. The only net gain you get out of it is the additional ten or fifteen thousand horsepower ? A--At present, yes, and what we can salvage out of the turbines and wood stave pipe line.

THE CHAIRMAN: Q--That will be pretty small?

A--Not very large, no, compared to three million dollars and a half.

SIR ADAM BECK: It isn't a dead loss. It depends on the value you place upon it, which it would have had if the war had continued.

MR. GABY: I think Mr. Ross admits that, that it has probably paid itself more than twice, admitting the value to the industries and the power got out of it in four years.

THE CHAIRMAN: It was finished in 1918, was it ?

MR. GABY: It wasn't finished, all of it, in 1918, but the wood stave pipe line, I believe, was finished in June, 1918.

Q--When did the generators begin operating ?

A--In the fall of 1918 or spring of 1919, as I remember it.

Q--What are you paying for the power you are buying now from the Canadian-Niagara Company ?

A--From the first of the year it was \$12 a horsepower, up to the first of the year.

Q--The first of this year ? A--Yes.

Q--What is it now ?

SIR ADAM BECK: They are demanding \$15.

THE CHAIRMAN: Are they under contract to furnish it to you at a fixed price at the present time ?

MR. GABY: They claim not.

Q--And you claim they are ? A--We have had some dispute in connection with that.

Q--Why do you buy power from them ? A--Because, in 1916 --

Q--I mean at the present time, Mr. Gaby. I thought you had enough power now to supply the demand without buying it from these other companies ?

A--We didn't up to the first of the year. We will when the fifth generator is not in use.

Q--Until that fifth generator is in you will have to continue to buy from the Canadian-Niagara Company ?

A--Possibly.

Q--How much are you buying from them ?

A--We are getting today about 20,000 horsepower.

Q--Sir Adam, prior to the purchase of the Ontario Power Company you owned no power development plant, did you ?

SIR ADAM BECK: The first was Wasdell's.

MR. GABY: Wasdell's was on three years before Eugenia was on.

Q--Was Eugenia on at the time you --

A--We owned the Big Chute, we owned the Severn, and we owned the Central Ontario System.

Q--So that really you had made a departure from your original policy in this case?

A--I never heard that our original policy was only to deal in power.

Q--Perhaps you should say your original practice. You did nothing but buy power then ?

A--The original Act authorized us to develop power.

Q--Wasdell's then would be the first place where you developed

power yourself ? A--Yes.

Q--And then came Eugenia, and then came the Central Ontario --

A--Big Chute, Central Ontario, and other places .

Q--Were the municipalities for which you acted as trustee, consulted as to whether or not you should buy the Ontario

Power Company ? A--There was a plebiscite for acquiring the development in the Niagara district in 1917.

SIR ADAM BECK: They voted on it.

MR. GABY: They voted on a plebiscite for acquiring generating plants at Niagara Falls.

Q--But was there any specific submission to the municipalities for the purchase of the Ontario Power Company?

A--I should say Yes, because Sir Adam discussed the matter at those various meetings with them on it.

Q--But was it submitted in a formal way to them ?

SIR ADAM BECK: I don't remember the details of what took place at that time.

Q--And when you say a plebiscite would that be a vote of the ratepayers in each municipality ?

MR. GABY: Yes.

Q--That was done as to the development of power at Niagara Falls ? A--Some 70 municipalities voted.

Q--Hadh't that at all reference to the Chippawa development ?

SIR ADAM BECK: No, the general policy of generating or acquiring generating plants.

Q--Was this plebiscite, or the question that was voted on, exactly the same to each of these 70 municipalities ?

MR. GABY: Seventy-four, yes.

COMMISSIONER HARRIS: Q--What date was that ?

A--January, 1917.

THE CHAIRMAN: Q--That would be at the municipal elections in January, 1917 ?

A--Yes.

SIR ADAM BECK: The municipalities were called together and those matters were generally discussed with them, and they passed resolutions, and so on, but I know it was thought because of the amounts involved that it would be well to have an expression of public opinion.

THE CHAIRMAN: Mr. Pope, could you let us have a copy of that resolution that was voted on in those 74 municipalities in January, 1917, you will have it available?

MR. POPE: It is on the files, you have seen them all.

THE CHAIRMAN: I would like to see them.

MR. POPE: I think you have got copies of them.

THE CHAIRMAN: It wouldn't be much trouble for you to send a copy down.

MR. POPE: We will dig that up for you.

COMMISSIONER HARRIS: Did they put the matter up to the municipalities in such a way that they fully understood what they were assuming?

MR. POPE: Yes, I think so, either to generate or purchase enough power.

COMMISSIONER HARRIS: You didn't tell them at the time that this would involve them in an expenditure probably of \$125,000,000 to \$150,000,000, did you?

MR. GABY: I am speaking of the plebiscite that was submitted.

SIR ADAM BECK: Have you heard of any of them complaining?

COMMISSIONER HARRIS: Not yet.

SIR ADAM BECK: Do you expect them to?

COMMISSIONER HARRIS: I wouldn't be surprised.

THE CHAIRMAN: Q--Sir Adam, when you issued bonds for this purpose, why were they issued by the Hydro-Electric Power Commission? Had you ever issued any before or have you ever issued any since?

THE UNIVERSITY OF CHICAGO

TO THE PRESIDENT OF THE UNIVERSITY OF CHICAGO
FROM THE FACULTY OF THE DIVISION OF THE PHYSICAL SCIENCES
SIR,
We have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the proposed visit of the members of the Faculty of the Division of the Physical Sciences to the University of Chicago. We are glad to hear that you are planning to visit the University and to meet with the members of the Faculty of the Division of the Physical Sciences. We are sure that your visit will be most profitable and enjoyable.

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A--I suppose the Government thought it was expedient. We couldn't use them without the wuthority of the Government.

Q--That was taken up with the Government, and the Government directed you to issue them instead of issuing Provincial bonds, as in all your other developments ?

MR. POPE: An Order-in-Council was passed, and an Order-in-Council was passed in connection with the Central Ontario.

THE CHAIRMAN: I thought the Government issued its bonds for that ?

MR. POPE: Yes, they did.

THE CHAIRMAN: Why were the bonds issued directly by the Government instead of being issued by the Hydro and endorsed by the Government ? Was there any particular reason that you know of ? I am not questioning the right to do it.

MR. POPE: The Act provides that they can purchase, and how they shall purchase. They were purchased under the Hydro Power Commission Act, in accordance with it.

Q--I was wondering why it was done differently in this case than it was in the other cases ?

A--There is no difference.

Q--In the others, you see, the Government issued its own bonds ? A--No, sir.

Q--Well, nearly all of them ? A--No, sir, none of them

SIR ADAM BECK: The Central Ontario.

THE CHAIRMAN: Oh, no, in all your developments the Government issued its own bonds and handed the money over to you. That is what I am submitting to you, in the Chippawa it issued its own bonds.

SIR ADAM BECK: You were talking, Mr. Chairman, about the acquiring of this property, why did ^{we} pay for the property with the Hydro bonds.

THE CHAIRMAN: Yes.

SIR ADAM BECK: Because we bought all the properties we have bought with the Hydro bonds guaranteed.

Q--That is, all the operating properties you bought ?

A--Any properties we bought.

Q--You paid for all of them with Hydro bonds ?

A--Guaranteed by the Province, but the new work that we undertake is financed by the Province.

COMMISSIONER HANEY: Q--Are the Severn properties paid for by Hydro bonds ?

A--The original was.

MR. GABY: The Severn wasn't.

MR. POPE: Yes, it was, the Severn was paid the same way.

MR. GABY: That is, the old Big Chute plant.

SIR ADAM BECK: We assumed the bonded debt.

COMMISSIONER J. A. ROSS: That is, when you buy a going concern you issue your own bonds, but when you develop a new proposition of your own, the Government issues the bonds ?

MR. POPE: They finance the money.

COMMISSIONER J. A. ROSS: The Government advances the money from their own bonds to you.

MR. POPE: The proceeds of their own bonds.

SIR ADAM BECK: That is a general bond, it isn't an earmarked Hydro bond.

COMMISSIONER HARRIS: On the Ontario Power Company there was a bond issue.

SIR ADAM BECK: They don't specifically earmark those bonds.

MR. POPE: The amount of your issue depends upon how much money is required to cover the existing debt --

COMMISSIONER HARRIS: In the Ontario Power Company you assumed the bonds that were then out ? A--Yes, sir.

Q--You did not have to issue any new bonds for them ?

MR. GABY: No. We issued new bonds for the eight million dollars odd.

I think we should be able to do it.

There is no question about it, it is a fact.

That is, all the operations mentioned in the report.

And for all of them, the same thing holds true.

And for the same reason, the same thing holds true.

And for the same reason, the same thing holds true.

COMMISSIONER, BUREAU: I have the same question for you.

Yes, sir.

Yes, sir, I am sure.

MR. TERRY: The same thing.

MR. TERRY: Yes, in fact, the same thing holds true.

MR. TERRY: That is, the same thing holds true.

MR. TERRY: The same thing holds true.

MR. TERRY: That is, the same thing holds true.

MR. TERRY: The same thing holds true, but not in the same way.

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Q--You issued Hydro bonds for the common stock outstanding?

A--Eight million dollars odd.

Q--We have a statement from our auditors on the number of bonds that were sold by the Government and the proceeds turned over to the Hydro, and the amount of bonds issued by the Hydro. We haven't it here right now, but my recollection is that they show that the amount of money issued by the Government, or sold by the Government and the proceeds turned over to the Hydro is considerably over \$100,000,000, and the other issued by the Hydro, is something between \$20,000,000 and \$30,000,000. We have those figures in the office.

MR. POPE: We have no record.

THE CHAIRMAN: Q--Did you have a valuation of the Ontario Power plant made before you made the purchase ?

A--Yes.

Q--By your engineers ? A--Yes, the Engineering Department.

Q--What was the market value of those shares when you bought them, what were they quoted at on the market ?

SIR ADAM BECK: I don't know, Mr. Chairman.

Q--Did you know at the time ? A--No.

Q--Do you know, Mr. Pope ?

MR. POPE: I don't know, I cannot tell you.

Q--What did you pay for them in bonds ?

SIR ADAM BECK: We paid \$8,000,000, \$11,000,000 of bonds, \$8,000,000, 4 per cent, 40-year.

MR. GABY: The point is, Sir Adam, that these bonds are 4 per cent bonds, and the value of those bonds ran around 80, or less at the time they were handed over to this company. In other words, 59 and 60 was the value of those bonds.

THE CHAIRMAN: But the par value of the bonds --

A--\$11,000,000 of stock, the amount we paid for that was \$8,000,000 in bonds at 4 per cent, and the stock was selling somewhere around 60, I don't remember, or 64,

and that was approximately the value of those bonds.

Q--That would be a little more than six and a half million dollars ? A--It was eleven million dollars,

Q--And you got that with \$8,000,000 of bonds which would have a selling value at that time, you think, of about 80 ?

A--Probably less than that.

Q--My own impression is that some of them were sold at less than 80? A--Oh, yes, they were sold as low as 69 or 59.

Q--What are they selling at now ? A--I don't know.

COMMISSIONER HARRIS: They are Government bonds now.

THE CHAIRMAN: No, they are held by private individuals.

SIR ADAM BECK: Hydro bonds guaranteed by the Province.

COMMISSIONER HANEY: Had the company paid any dividends on that common stock prior to the purchase ?

MR. GABY: Yes, they had.

COMMISSIONER HANEY: What dividends ?

MR. GABY: I don't remember, 4 per cent, 5 per cent, may be 6 per cent. I don't remember the exact amount, but they had paid dividends.

THE CHAIRMAN: Q--Had they paid more than one dividend?

A--Yes.

Q--Had they paid any the year that you bought it, or the year before ? A--That I don't know, I would have to look up the statements.

THE CHAIRMAN: Q--Do you feel sure, Sir Adam, that the Ontario Power Company never made application to you to construct that third pipe line ?

A--They made it to the Victoria Park Commission.

Q--Not to the Hydro-Electric Power Commission of Ontario.

A--We had nothing to do with it, I believe.

Q--Was permission given to the Ontario Power Company to construct this third pipe line ?

MR. POPE: An Order-in-Council was passed.

THE CHAIRMAN: That was prior to your purchase.

MR. POPE: Oh, no, no.

THE CHAIRMAN: Had the Ontario Power Company made application prior to your purchase to construct the third pipe line, to the Government or to the Parks Commission ?

MR. GABY: Yes, they did. They made application to the Queen Victoria Niagara Falls Park Commission to construct a third pipe line 18 feet in diameter in accordance with their agreement. They were then advised that the amount of water which they could use was set out in the Order-in-Council and under those conditions they were not prepared to go on with the construction of that third pipe line.

Q--Was the water supply not sufficient to furnish to the capacity of that third pipe line of 18 feet diameter ?

A--No. They claimed that they could have generated over 240,000 or 245,000 with the additional pipe line, but with the amount of water that they were allowed to generate it meant only about 180,000.

Q--Was the Park Commission willing to give them permission to construct a third pipe line?

A--That was never considered to my knowledge. They were advised of the limitations that the Park Commission were prepared to put on them and, under those conditions, they did not go on with the construction of it.

SIR ADAM BECK: The limitation was placed on by Order-in-Council of the Government, and then the Park Commission was guided by that.

THE CHAIRMAN: Q--Were there any other persons negotiating for the ^{purchase} of the Ontario Power Company when you were, Sir Adam ?

A--I don't know. We heard rumours, at least we were told in Council that there were others.

Q--Were negotiations carried on by you personally?

A--Well, they were through our solicitors and engineers, and Col. MacInnes was really authorized to prepare the purchase agreements and terms of the agreements.

Q--Yes, but the negotiations preliminary to the agreements being prepared ? A--Oh, that was all a matter of negotiation by the officers of the Hydro.

Q--By yourself on the part of the Hydro, and by Mr. Albright on behalf of the company ?

A--Their representatives and my fellow commissioners, they were kept posted from time to time as to what was doing, how it was proceeding.

Q--It has been stated by some that the fact that the company had a contract to supply you with 100,000 h.p. at \$9 had an influence in inducing them to sell to you? Is there anything in that ? A--Well, I suppose the increased cost of operation, and the limitation being placed on them in the use of water did largely influence them to dispose of it, quite naturally, they would be curtailed by 40 or 60,000 horsepower.

Q--Those two had probably some influence then ?

A--I should think they would.

Q--In your statement before the Committee of the House of Representatives at Washington you say:

"The revenue from our two firm contracts, one with the municipalities and one with the Niagara, Lockport & Ontario Power Company, expiring in 1950, will be sufficient to maintain the plant at the highest point of efficiency, provide for renewals and depreciation charges, and operation, and at the same time accumulate sufficient revenue to retire the whole of the debt in twenty-five years."

What would you say as to that now, Sir Adam ?

A--I don't know what it is costing now, with the increased cost and increased capital.

Q--Would it be sufficient to retire the whole of the debt?

A--I cannot tell you offhand.

Q--In 25 years ? A--In 25 years, with costs as they are, and the additional investment,- not at those prices.

Q--It appears from the records that when you acquired this Ontario Power Company salaries were voted to yourself, and other officials of the Hydro, by yourselves. For what reason was that done, on what authority ?

A--The reason, I suppose, was because of the larger responsibilities, and so on, that were involved, and the Government, I suppose, realizing that.

Q--But did you not take on large responsibilities when you took over other plants, or when you take over any plant?

A--I think we do.

Q--Yes, and do you vote yourselves additional salaries when that is done ? A--No.

Q--You have taken over another power plant at Niagara Falls lately? A--Yes.

Q--Have you voted yourselves salaries in that too? A--No.

Q--Is it proposed to do so ? A--I haven't heard any suggestion.

Q--Well, then, why was it done in this case only ?

A--The municipalities voted it. They voted that the percentage of administration in each undertaking of this kind ^{nearly,} could pay I think it is, one-third of one per cent.

Q--How many shares of stock were voted by the directors who voted it ? A--It wasn't a question of the Commissioners voting it, it was a question of authority being given by the Government to do so.

Q--When was the \$6000 voted to the Chairman ? Were the six members voted an increase at the same time ?

MR. POPE: Yes, that was 1918, eight or nine months after the purchase.

THE CHAIRMAN: The Hydro Act, Sir Adam, I think provides that any increase in salaries must be made by Order-in-Council or the Government, any increase of salaries to the Commission.

SIR ADAM BECK: That has all met with the approval of the Government, in fact, it was suggested by the Government, suggested by the present Government.

Q--Was there an Order-in-Council passed ?

A--I don't know. I know that the increase made to the Directors of the Ontario Power Company was made at the request of the Government.

Q--At whose request ? A--At the request of the Prime Minister.

Q--By Sir William Hearst? A--No, by the present Prime Minister.

Q--They were made long before the present Prime Minister took office. I am speaking of the original increases?

A-- I don't know. I know it was placed in the hands of Counsel and the Attorney-General was a member of the Commission, and the proper course, I believe, was followed. Legal opinion of Counsel was submitted, and I thought everything was done properly and correctly, in proper form.

Q--It would appear from your records that no Order-in-Council was issued by the Government for the increase ?

A--Why, the Government is represented on the Commission. The Attorney-General was there, and the Attorney-General has knowledge of all these things, he is the one that secures the authority in a proper manner and with proper legal authority.

Q--In this case it does not appear to be given ?

A--Do you infer that we voted these increases without the full authority of the Government ?

Q--It would appear so from the records ?

A--Absolutely nothing of the kind.

Q--From the records produced, could you show us an

Order-in-Council passed by the Government approving it ?

A--I don't know.

Q--We ascertained from the Government that there was no Order-in-Council passed ? A--It was the desire of the Government in Council that the increases should be made. The work had become so onerous that it was necessary to increase the honorarium, and it was thought the proper way to do so,-- the municipalities by resolution voted, I think, \$24,000 as the amount that might be paid to the Commissioners and charged to the municipalities. When it came in to Council I recommended that that be limited to \$15,000, as that would be ample, and that the Ontario Power Company should bear some portion of the administration charges of the whole thing, and I think that is the way it was brought about, in some such way, and I know that the aggregate was not reached in the \$15,000, it never went beyond \$14,000.

Q--If the Government wished to increase the salaries, and it might be the very proper thing to do to increase them, why didn't they take action ? A--It wasn't necessary. They knew they were a party to it, it was all thoroughly discussed in Council.

Q--When you say "in Council" you mean by the Cabinet ?

A--Yes.

Q--There is nothing to show that it was ? A--It wouldn't be necessary, I suppose.

Q--They had, in dealing with it before, passed Orders-in-Council authorizing it ? A--Well, I know the Act was changed and increased to \$15,000 from \$6,000, I think.

Q--From the record submitted to us by Mr. Pope, it appears that the whole thing was done by resolution passed by the Directors themselves ? A--With the full authority of the Government. You don't suggest for one moment --

Q--There is nothing on record to show that they were consulted ?

A--It wasn't necessary. The Government have a Minister of the Government on the Commission, and the Commission confer with him. Just as Mr. Drury and the \$4000, that was voted to each of the Ministers, the Prime Minister knew about that, and I have a letter from Mr. Drury expressing his appreciation of having done it in that way. There is no Order-in-Council passed for that \$4000, that was considered the proper and best way to do it.

Q--The Statute expressly provides for an Order-in-Council fixing the salaries of the Commission ?

A--Mr. Chairman, the suggestion wasn't mine that the other two members should get the same honorarium as a Minister would and I, of course, as Chairman, concurred in it, because the responsibilities have increased very materially, and instead of the Government doing it through Order-in-Council they acquiesced in our doing it in the proper way, with the legal authority and right to increase the honorariums to Col. Carmichael and Mr. Lucas.

Q--I am dealing now with the original one ?

A--I know, but it is the same thing.

Q--I think so, very much the same thing ?

A--Not very much, absolutely the same way. I don't like to talk about these things regarding the Prime Minister in a public way. I can tell you the whole particulars of it, there is nothing mysterious about it.

Q--There is no reason why anything of a public nature should not be taken up in a public way. This was in 1918?

A--Yes.

Q--Here is the extract from your Minutes:

"Moved by Mr. Lucas, Seconded by Col. McNaughton, that the salary of the President be increased by the sum of \$6000 per annum, such increase to date from the first day of August, 1917, the date on which the

"control of the Ontario Power Company of Niagara Falls passed into the hands of the Hydro-Electric Power Commission of Ontario."

A--Yes, and Mr. Chairman you are apparently under the impression that these things have been done improperly. I don't think you can say that, I don't think it is at all a fair conclusion to come to. The Government have their way of doing ^{things} / they know whether they should pass an Order-in-Council or not. They authorize through their representative, at least to the Minister on the Board who was given extended authority, I should think, before that time. We depend upon him to authorize and to do these things, and the proper thing done was that we should vote this money. You don't suppose for one moment that it is out of the way for a man giving up his business, and devoting himself entirely to the work, practically, to be paid \$6000 or \$12,000. I worked for about ten years without any honorarium whatever and paid my own expenses, and when I was offered \$45,000 for six years of services at \$6000 a year, and six years' expenses at \$1500 a year, I refused it, that is, for six years of actual work as a member of the Government. I don't suppose you want that information?

Q--I want all the information ? A--I will give it to you.

Q--I must say that the salary paid is not at all unreasonable?

A--It wasn't, when I was offered \$6000 --

Q--I am speaking of the salary which you are receiving now ?

A--I will tell you this, that when the Prime Minister, Sir James Whitney, said that I was going to be voted in the Legislature for the six years that I had served without honorarium, from the time we actually began this undertaking, and the total amount was \$45,000, I absolutely refused that such a thing should be carried out. That is one instance that happened.

Q--You see, if the Government had increased the salaries, as it seems to me they might very properly have done, it would appear in the Public Accounts, and everybody would know about it. Now, those increases did not appear in the Public Accounts at all, and you are down on the Public Accounts as receiving so much a year when, as a matter of fact, you are receiving double that ?

A--What do you mean by that ?

Q--I mean it is always best that these things should be done in a public way ? A--The municipalities voted that \$24,000, because they said it was ridiculous --

Q--I don't think the municipalities ever voted on this question ? A--They voted \$24,000 on that same question.

Q--You were an official of the Ontario Government, and it seems to me that the proper way would have been for the Ontario Government to have increased the salary itself and made it public. Nobody knew about it outside yourselves, and the Government if they knew about it it would have appeared in the public accounts, but it wasn't mentioned in the public accounts ? A--Do you infer that they didn't know about it ?

Q--I don't know whether they all knew about it or not, I cannot say. There is nothing on the public records to show that they did.

COMMISSIONER HARRIS: You say the municipalities voted it ?

THE CHAIRMAN: The municipalities didn't vote on the question at all.

SIR ADAM BECK: What I mean is this, Mr. Harris, everybody knew, as sane men, that the position of these men could not continue the way it was, the time and everything else, enormous responsibilities, millions and millions of dollars involved, and a man could not forsake his

business where ^{he} is making two and three times, and sometimes four times what he is getting as a honorarium, and the municipalities, of their own accord, said it is absurd, Without any knowledge on the part of any Commissioner I assure you of that, they said, We think that an amount of \$24,000 should be charged to the municipalities, to compensate the men for the time they were giving and pay some extra expenses.

COMMISSIONER HARRIS: Q--You say the municipalities did that ? A--Yes.

Q--It is quite proper for them to do it, to recommend it, but, of course, they had no authority to do it ?

A--Well, they didn't, they recommended it, and then at my suggestion I said I don't think that we could justify an amount of that kind, there was no need of it, and I recommended or suggested to the Commissioners \$15,000, and legislation, I think, was passed fixing the amount at \$15,000. Well, the whole thing grew enormously after taking over this Ontario Power Company, which meant the administration of a very large addition of business,- I know that one young man, Vice-President or Managing-Director, was getting \$12,000 for his position in the Ontario Power Company. However, that was discussed at great length in Council. I wasn't in the Government at the time, the last part of it anyway. There is no Order-in-Council when Council says and when the solicitor says the proper way to do it is for the Directors to do it and, as I say, it was at Mr. Drury's request that there should be an increase of \$2000 to the member of the Government acting in that capacity, owing to the work involved. It was that which justified the Prime Minister, the present Prime Minister, suggesting to me that there might be an increase, and I said it would apply to the two because Mr. Lucas was giving a good deal more time than

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at present.

Col. Carmichael. He was there most of the time, and the Prime Minister said that was quite proper, and he asked how it could be brought about, and I said I would have to confer, and we did, and he seemed to prefer that we should do it in that way, and I had a letter from him to that effect that the directors might properly vote the additional \$2000 to each of the other two members. Now, that is what we did.

THE CHAIRMAN: I am satisfied that every member of this Commission thinks that the salaries are not too high.

COMMISSIONER HARRIS: I don't think they are high enough.

SIR ADAM BECK: I know if the members don't think they are high enough they can leave the job. I know it does not pay me to keep house in London when I am there about three or four days a month, and live in Toronto.

THE CHAIRMAN: Q--There is another question, as you were an officer of the Government, as to whether the increases should not have been voted by the Legislature in a public way? A--Excuse me, it was.

Q--Oh, no? A--Excuse me, it was. In the other, we were directed to do it by the Cabinet in session.

Q--That is the objection I have? A--Our legal adviser, who should know, says there is no need of authority. Now, the question is, is it improper, is it too much, was it a proper thing to do?

Q--It may have been a proper thing to do but not done in the proper way. The increase may have been all right, and I think it was? A--It was done in the proper way. As far as the Commission is concerned we cannot force the Government to pass Orders-in-Council. Mr. Drury wanted it done in this way. I am talking about this last increase.

Q--It is all right to speak about any increase?

A--That is fresh in my mind, and Mr. Drury preferred himself that it should be done so.

Q--Mr. Drury wasn't in the Legislature at the time it was done in the first place ? A--Excuse me, in the second place.

Q--I am talking about the one and you are talking about the other ? A--The one applied and the second applied.

Q--Certainly it would, the same rule would apply in both cases? A--Do you mean to tell me, Mr. Chairman, that when we discussed Order-in-Council from beginning to end and the Government decides no Order-in-Council and we go on with it that it is improper ?

Q--There is nothing on the record.

A--Have you had Mr. Lucas here giving his evidence ?

Q--Yes, Mr. Lucas was here ? A--Do you believe him ? Ask the present Prime Minister.

Q--It was never dealt with by the Government in any way ?

A--You don't want to know anything about that ?

Q--Certainly? A--Well, then, ask the present Prime Minister how it was done.

Q--As a matter of fact, there was no Order-in-Council passed. The Statute provides a particular way in which the salaries shall be fixed ? A--No, not in this case.

Q--It does of the Hydro Commissioners. It says it shall be fixed by Order-in-Council. Now, in this case, the increase was fixed without any Order-in-Council being passed ?

A--The Government advised, and we sought counsel and we got the advice that this was the proper way to do it. It was discussed fully in every way.

Q--I should like to see the letter written to Counsel submitting the question to him ? A--It was all done by conferences.

Q--It isn't usual to submit an important legal question in that way ? A--Well, it is all right, there it is, and this last increase that you don't seem to want to know about --

Q--You have no business to say that at all?

A--Why don't you ask me how the last increase was brought about?

Q--When we get through with the first we could take it up, we want to hear all about it?

A--That isn't improper.

Q--It is just as much improper as the first one, I think. I don't see any distinction between them?

A--It was fully discussed, Orders-in-Council were discussed. It was immaterial to the Hydro-Electric Power Commission how it was done, we were not the Government, I wasn't a member of the Government. It was left to the Department that negotiates all these things.

Q--The salaries of other public officials are not fixed by conversations, they are fixed by Order-in-Council in the proper way, and they appear in the Public Accounts in the regular way. Now, that hasn't been done in this case?

A--You know very well this is not a Department of the Government.

Q--I know it is? A--It isn't, excuse me.

Q--Certainly it is, you are appointed by the Government and paid by the Government?

A--It isn't a Department of the Government.

Q--I should fancy it is a department of the Government, but that is a matter of construction?

A--It is an absolutely wrong conception that you have got. It isn't a Department of the Government. The Government is aware of everything that takes place, and has a member of the Government present, not a member appointed by the Government but a member of the Government always.

Q--I think a member appointed by the Government?

A--They are all appointed by the Government, but one member of the Government especially. The Act says specifically that a member of the Government shall be a member

of the Commission, so that the Government is in absolute touch with the whole thing.

Q--If there is anything more you would like to say about any action that has been taken, or about anything in this connection, then we will be glad to hear you?

A--You have never asked me about the \$4000 increase.

Q--What \$4000 ? A--Two members of the Commission were increased \$2000 each.

Q--You said how that was done ? A--I told you --

Q--I thought you suggested that you were not having an opportunity to tell all you wanted. We will be glad to hear everything about that from first to last ?

A--The Prime Minister had a general talk over matters, and he felt that Col. Carmichael was spending a great deal of his time here in connection with Government matters, and in connection with Hydro, and he suggested that his honorarium might be equalized with the other Ministers, and I said I thought it could be justified with the additional responsibility that the Commission was assuming in acquiring properties, and construction, and I took it up with our Legal Department --

Q--Who was that ? A--Well, I think we had Mr. Kilmer's opinion on it, I am not sure.

Q--Could you let us see that opinion ?

MR. POPE: Yes, sir, both Mr. Kilmer and Col. MacInnes.

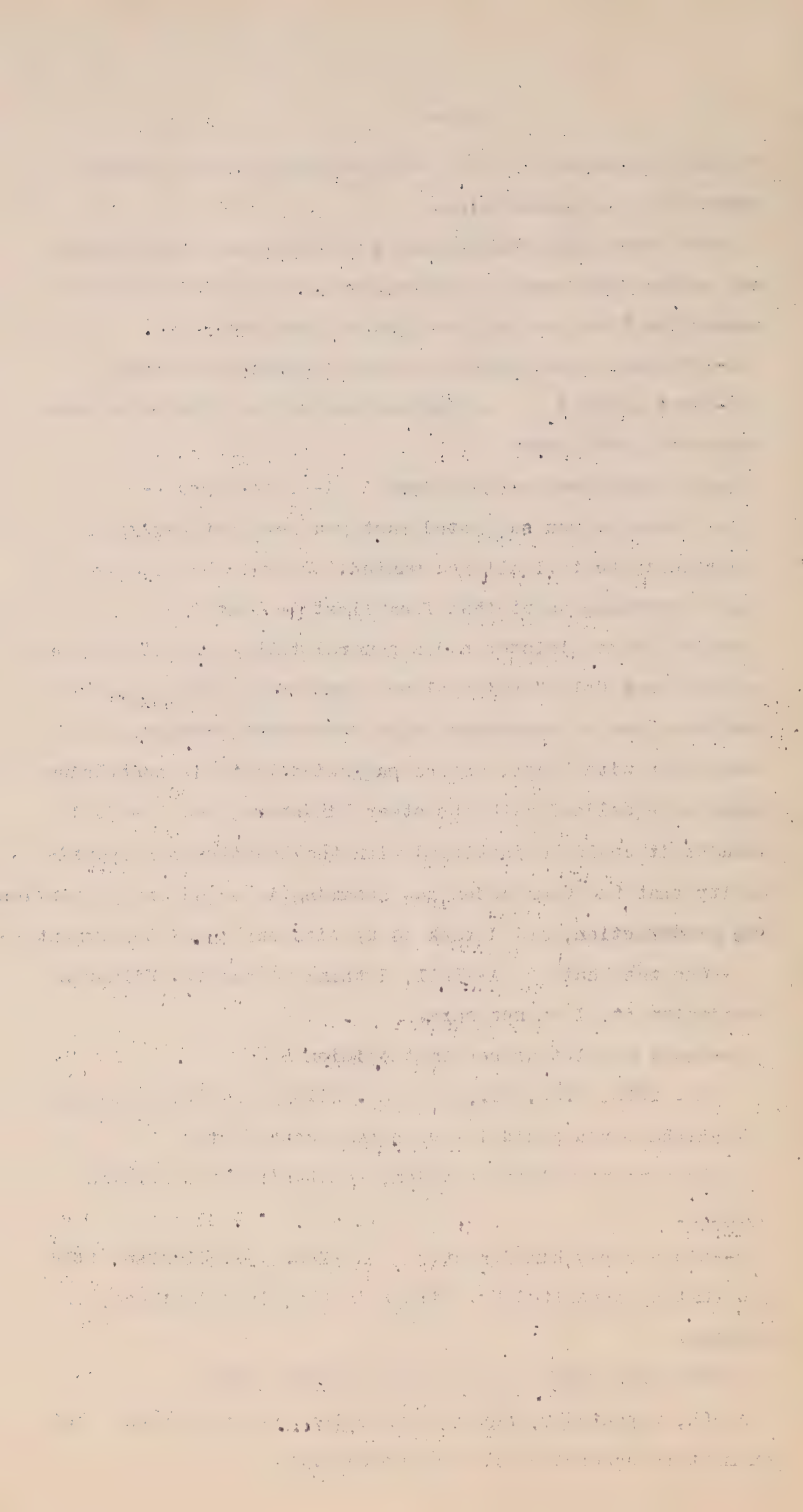
Q--Perhaps you could let us have a copy of it ?

A--We have no written opinion, we didn't get a written opinion.

Q--Did you pay him for it ? A--Yes. Mr. Clarkson told you that he consulted Mr. Kilmer in the first instance, as Auditor.

Q--When was that, Mr. Pope that you saw him ?

A--Oh, repeatedly, not in connection with this alone, but on matters connected with the Commission.



Q--I mean in this particular matter ? A--1918 first.

Q--And have you submitted it to Mr. Kilmer again since that time ? A--The second increase was discussed with him or Col. MacInnes, I am not quite sure which. It was considered to be an Ontario Power Company matter. The Act of Incorporation of the Ontario Power Company gives the Directors power, Clause 16, to fix the salaries of any member or members of their Board, and on the strength of that, as this was an Ontario Power Company matter, in their opinion they said it was quite right and proper.

COMMISSIONER HANEY: Q--That Act would be confirmed by the shareholders ? A--Yes, sir..

Q--Was it dealt with specifically ? A--Yes, sir.

Q--Or were the Minutes of the Directors taken as read?

A--No, sir.

THE CHAIRMAN: Q--It has never been confirmed by the shareholders, according to your record ? A--Yes.

Q--No, sir, pardon me? A--Yes, sir. Which one are you talking about ?

Q--I am talking about all of them ? A--Yes, sir. That is, the meetings of the Directors.

Q--Here is just what it says about that --

A--All in connection with the meetings held on that date.

Q--Here is what it says, the first meeting :

(Chairman reads Minute in question)

That is the only reference, there is no specific ratification, it has never been approved by the shareholders?

A--How can you approve it in any other way ?

Q--You have to pass a Resolution?

COMMISSIONER HANEY: So far as salaries are concerned.

A--If you will look at the charter of the Ontario Power Company you will find that is absolutely regular.

THE CHAIRMAN: Q--I am speaking of your Minutes, it was never specifically approved? A--That is the exact

form in which the Ontario Power Company carried out their whole transactions.

COMMISSIONER HANEY: Q--Who voted the proxies ?

A--The proxies were on the table.

Q--Who voted them ? A--The Directors.

Q--Who represented the bulk of the shareholders?

A--They were in blank, the Hydro-Electric Power Commission.

Q--The Hydro-Electric Power Commission had authority to vote them ? A--Yes, sir.

THE CHAIRMAN: Q--There is nothing to show who voted them. Of course, that is a matter of form, very largely, I think . A--The proxies were there.

Q--There is nothing in your Minutes to show that any proxies were ever given. I think you will find that they were not ? A--The Ontario Power Company's minutes --

SIR ADAM BECK: All I can say, gentlemen, is that we had Mr. Clarkson there to watch every detail, and Counsel there to watch every detail, so that everything shall be done in proper form, in the transfer of these properties, proxies, or anything else, and if there has been anything that has been improper, I think we have a right to assume that men of the experience of Clarkson and the others in these matters did what they thought was absolutely in accord with the requirements and carried out, in a general way, the methods that were used by the original Ontario Power Company directors in dealing with these matters. You understand that there was no Order-in-Council for the last increase.

Q--Nor for any increases ? A--No, and the reason that that was done was because the Government did not see the necessity for passing the Order-in-Council.

COMMISSIONER HANEY: Q--The last Government acted in the same way as the former Government ?

A--I don't know.

Q--No Order-in-Council in either case?

A--The matter was very fully discussed, because it was deemed well that the Ontario Power Company should assume some portion of the administration costs of the Hydro.

Q--Well, you took over the Central Ontario System in 1916 ?

A--Yes, sir.

Q--Did you vote yourselves additional salaries for that ?

A--That is a different affair entirely.

Q--Wasn't that a more important matter than the Ontario Power Company, so far as work was concerned ?

A--It isn't a question of importance, it is the method of doing it.

Q--You have made the statement here that these salaries in connection with taking over the Ontario Power Company were voted on account of the increased work ?

A--Increased responsibilities.

Q--And increased responsibilities? A--We had to adjust these charges of administration in different ways, and the Government at that time, instead of voting \$24,000, which they were prepared to vote, reduced it to \$15,000 because the other moneys that were to be paid to the Commissioners were to be voted by this company .

Q--But if this increased salary was voted for additional work on the Ontario Power Company, as has been stated, the Central Ontario System which you took over in 1916, prior to the taking over of the Ontario Power Company, gave the Commission, and the officials of the Commission, much more additional work than the Ontario Power Company ?

A--It wasn't a matter of additional work. The adjustment of charges for administration is entirely in the hands of the auditors, isn't it , the percentages. I don't know in what way they are divided.

COMMISSIONER J. A. ROSS: I wouldn't say the entire distribution allocation was in the hands of the auditors .

A--If you have got a large business you have got to allocate the charges, in some equitable way.

Q--Yes? A--And the Government thought that it was proper. I think I was a member of the Government when they took that over, but there was \$6000 voted by the Province of Ontario to the Chairman. I think that was the vote. That \$6000, I believe, was spread over the whole system, in some proportionate way. It must have been arrived at in that way.

Q--Without any thought of degree of compensation, in other words, whether the job was worth it or not. It seems to me that it would be a clear-cut proposition if the Hydro Electric Power Commission, and you as Chairman, and the other members, were paid that much more, - in your case \$6000 more, dividing it up between a number of companies?

A--Well, Mr. Ross, I want to tell you something. This \$6000 that the Province gave was not only on account of the operation of that Central Ontario System. We were doing a lot of work on the Commission, in research, reporting on all the waterpowers in the Province. There was a great deal of negotiating going on between the different Governments, the Federal Government and the International Waterways Commission, and work of that kind, that was of a very responsible character and, therefore, the Province as a whole paid the \$6000 to the Chairman. I objected to it coming out of the revenue of the Province, the consolidated revenue, that is. I think the Province should pay something because of the general character of the work affecting the resources of the country. They have established that, and it has been carried on, and for a year or two we charged it to the general scheme, because we thought that was the proper place to charge it. The municipalities getting the benefit of it should be charged with it, and it should not come out of the consolidated revenue fund of the Province, but I believe that \$6000 still comes out of the

consolidated revenue of the Province, and then the other \$6000 was charged to the Central Ontario, and the other to the Ontario Power Company.

COMMISSIONER HANEY: Q' -Not the Central Ontario ?

A--Yes, the Central Ontario.

Q--Not specifically charged to the Central Ontario ?

A--I mean that is included, that \$6000 that comes out of the consolidated revenue fund. The money that comes out of the consolidated revenue fund is on account of a purely Provincial undertaking.

COMMISSIONER J. A. ROSS: What I mean is this, that if that \$6000 from the Ontario Power Company had been added on to your salary as Chairman from the Government rather than specifically out of the Ontario Power Company, it would have been a clearer cut proposition.

A--It is up to the Government to do whatever they like.

Q--It all rests right there. It is a question of method on the part of the Government, that is what you say ?

A--Absolutely. I thought it should be distributed on a percentage basis, in an equitable way amongst all the systems that we operate.

THE CHAIRMAN: Q--There is one reason for doing it, because you have just as much right to vote yourselves salaries in all those companies you are taking over as in this one ? A--Right ?

Q--Yes? A--We have no right.

Q--Just as much legal right to do it in the case of one company as the other ? A--We have no legal right without the Government representative, the member of the Government --

Q--The Statute does not make that provision at all?

A--The matter was thoroughly discussed by the Government and it was decided that an Order-in-Council was not necessary,

and the Prime Minister, Mr. Drury, supposed it was perfectly proper.

Q--The Statute makes no provision whatever for the decision the Government arrived at, but it provides that it shall be done by Order-in-Council ? A--That is all right, but this was applied by the Government in the way they want to do it, and the way Mr. Drury thought it ought to be done. It was supposed it could be done in that way.

Q--Do you know about the negotiations for the sale of the pulp limits on the Central Ontario property? A--Yes.

Q--What was the date of those offers, and what were the offers? A--I don't remember.

THE CHAIRMAN: Mr. Pope, I think we asked you to advise us as to that ?

MR. POPE: Will you give me ten minutes' time to get the papers ready?

Q--You can do a lot in ten minutes? A--I was away.

Q--When was that, what year, was that 1919 ? Have you got the contracts, or the proposed contracts, or the offers in your office ?

A--The whole file is there. The Attorney-General had it for weeks and weeks, he had it for a long time.

Q--Were there any offers sent ? A--There was one offer sent.

Q--That is what you call the Carrick offer?

A--McCombs.

Q--You paid Carrick \$15,000 ? A--No.

Q--There was a payment made in respect of some of those offers, where could we see this ? A--They are all on the file, it is a tremendously big file.

Q--They are not with the Government, but with you?

A--The Attorney-General had them, they have been up there since that time.

Q--Are they with the Attorney General now, or with you, Mr. Pope ? A--I think they are on our files now.

Q--Well, then, they will show just when those offers were made. Do you recollect the amount of the offer s?

A--I wouldn't like to say, somewhere about \$450,000 or \$475,000?

MR. GABY: It was during Sir Adam's absence in England when those negotiations took place.

MR. POPE: Mr. Lucas was then vice-chairman ?

THE CHAIRMAN: I just want to know where we can get our information on this? A--I think they are down with us now.

Q--And if not you think they will be with the Attorney-General? A--I think so.

THE CHAIRMAN: There are one or two questions, Sir Adam, I want to ask you about the St. Lawrence system, which we took up here in your absence. At Cornwall a great deal was said to us by the Mayor and other representatives of the Municipality about the estimates given by the Hydro-Electric Power Commission to the Eugene Phillips Company, and we found that after a by-law that provided giving a franchise to a local company was carried, the estimate submitted to this plant at Cornwall was increased, and the ground was taken -- and I think it was supported by Mr. Gaby, he will correct me if I am wrogg-- that in dealing with two municipalities, one of which was a non-Hydro municipality and the other was a Hydro municipality, it was right that you should give some special consideration to the Hydro municipality ? A--Oh, no. The one we deliver power to at cost, and the other we deliver power to at a profit, because they have no liability.

Q--But it was in the interests of Cornwall that this industry should be located there? A--But they were not co-partners, we didn't know Cornwall at all. We fix the price

at cost, whatever it is, to an industry in a municipality that we have got a contract with and ~~that~~ is liable for our investments there. If not sufficient revenue is ultimately coming to us from the contract that we make the ratepayers must make it up, or the power users that we have a contract with in that municipality. At Cornwall we have no protection at all. It is the same case as we had in Hamilton. They made a contract with us for power at \$17.50 for a thousand horsepower, in perpetuity, or for a long time anyway --

MR. GABY: Ten years, something like that ?

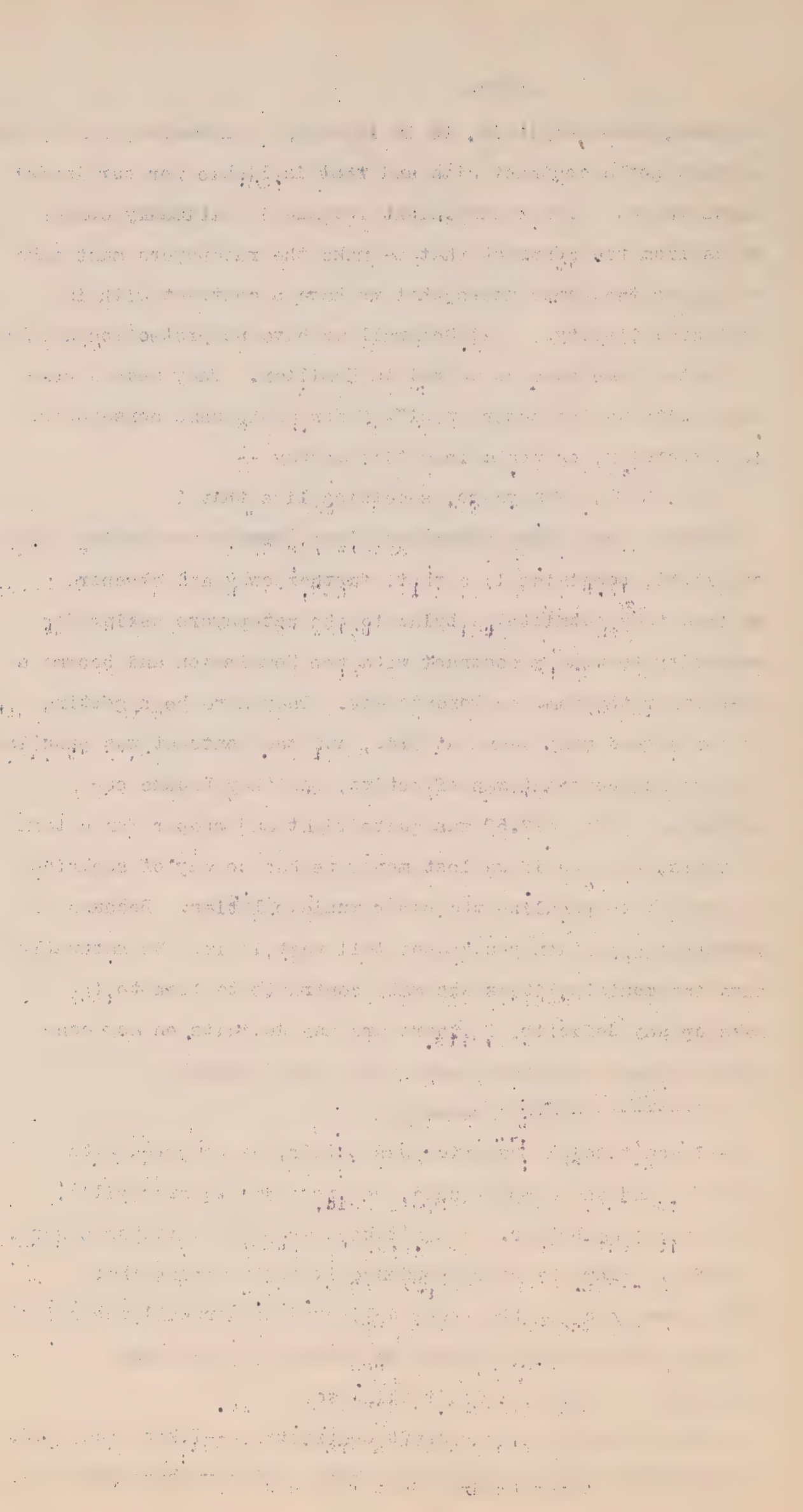
A--Well, they found afterwards that Toronto was paying \$14.50 or \$15.50, something like that, further away and cheaper, so then they submitted a bylaw to the ratepayers asking for authority to make a contract with the Commission and become a co-partner the same as Toronto was. They have been getting it for a good many years at \$14., and the contract was annulled and the new contract was effective, and they became co-partners. The \$17.50 was quite right and proper for a term of years, because if we lost money we had no way of securing it, we had to penalize the other municipalities. Because of increased operation you cannot tell what it is. We naturally have the municipalities who make contracts to look to to make up any deficits, if there are any deficits on any contract we have, and there were none with Cornwall.

Q--Would^{we}/be right in assuming --

A--I don't think the price was unfair, as compared with the two, and the company said, we are going to Brockville, it suited them better. I don't know what the advantages were.

Q--Yes. From the correspondence it would appear that before the price of the power delivered at Cornwall was raised they had determined to locate at Cornwall, or in that Township ? A--No, I don't think so.

Q--They wrote you for a draft contract? A--I know they did, but whatever their object was we know, and have been told so



since, that the preference was to go to Brockville, that power was only a small matter.

Q--What would you say to this, when in dealing with two municipalities --

A--We are not dealing with municipalities.

Q--But in considering two municipalities ?

A--It wasn't a municipality at all. We cannot consider a municipality that isn't a partner.

Q--Well, dealing with a private company located in a certain municipality? A--We would give them the lowest price possible.

Q--I suppose your price would be fixed so that there would be no loss ? A--Prices have been fixed by companies long before we came into the business --

Q--Where there are two municipalities competing for power ?

A--They are not competing, the municipality isn't in it.

Q--Competing for industries. In this case, there were two municipalities competing for industries. Now, in a case where one of those municipalities was non-Hydro, and the other Hydro, do you give special consideration to the latter?

A--We deal with it entirely different.

Q--Is it right to ? A--Absolutely. If the municipalities, in the final analysis are responsible for any loss they must be considered.

Q--So that if you have to choose between the two, that is, you had to choose which one would get this industry, you would give the preference to your municipality ?

A--Nothing of the kind. You are trying to make me say something that does not prevail, just as you do in many cases, you are continually doing it.

Q--If you will just answer the question, Sir Adam?

A--I am answering the question, but I am not going to answer your statement.

Q--If you will tell us what your attitude is ?

A--I don't know what your attitude is, I know what mine is, but here a customer comes to us and he asks for a price on power. We have got no guarantee at all behind that customer. We haven't got the municipality, they cannot make the contract because we have no contract with them. They voted it down, they had an opportunity of coming in. We knew it was only a very short time when we could not fill all demands in that district, because we were taking power from a company that was under the control of the Dominion Government. We had no control over it and, therefore, whatever we could get we could sell. At the time we were short, of course, other schemes had fallen down of getting that district an adequate supply. This company asked us for a price on power. When you go into a community where we make a contract with them, as we did with the pulp and paper mills down there -- if one falls down who has to assume that responsibility? Why, the System. One of the pulp and paper companies fell down, and a good many paper companies did, but if that company had not gone down we would have had a profit, and the system would have benefitted, but they had to stand that loss, that is, the System had, and we must have profit to make up for the losses that we make, when contracts are made with a municipality that is not responsible.

Q--But getting back to the question I have asked --

A--Preference to a Hydro municipality, that is a matter of business entirely. We have never been accused of discriminating

Q--If there are two municipalities competing for an industry you wouldn't give any preference to the Hydro municipality?

A--There is no preference about it, it is a matter of business. In the one case you have got no guarantee from that municipality, in any shape or form, of assuming any loss

that there may be, whereas if we go to Brockville where we have a contract, if that industry defaults the users of that municipality must make up the deficit.

COMMISSIONER HANEY: Q--You had no more guarantee before the bylaw was defeated than you had afterwards, in this case.

A--No. We made a contract with the company at a good price there, in bulk.

Q--I am not talking about bulk, I am talking about this Eugene Phillips industry. You had no more security before the bylaw was defeated than you had afterwards ?

A--What bylaw ?

Q--The Cornwall bylaw? A--No, but Cornwall was not a contracting municipality.

Q--It wasn't before or after ? A--I know, they had no liability. It doesn't matter about the bylaw.

Q--Let me just say a word: It matters in this respect, that a price was given for power at Cornwall, then after the bylaw was defeated this price was increased, that is, for this industry in the vicinity of Cornwall. Now, in that case the industry was not in Cornwall itself at all?

A--If the bylaw had carried and the municipality was responsible for any loss on the system, why, that is one thing, but where we make a contract where the municipality has no liability at all --

Q--But in this case -- A--You cannot do it for the same money.

Q--In this case you were dealing with the industry ?

A--Well, I cannot give you any explanation .

Q--I know, but the industry was not in the municipality of Cornwall, as I understand it, it was outside, and the municipality was not responsible ?

A--It was outside entirely of any of the municipalities interested.

Q--It was the same in both cases, it was located outside of the municipalities ?

MR. GABY: It didn't make any difference.

THE CHAIRMAN: You gave a price to this industry before the Cornwall vote on the bylaw as to whether they would give a franchise to a local company, and as soon as they voted to give the franchise to a local company you at once raised the prices to this industry, and the Cornwall people are saying that, as a result of that, it was diverted from Cornwall to Brockville ? A--The price had nothing to do with their going there.

Q--It was certainly an element in it ? A--No, not at all. This was a big firm. We gave them a price based on the risk that the municipalities had to assume, and Cornwall didn't have any.

Q--They didn't have any when you gave the first price, or when you gave the second price ? A--No.

Q--What was your justification for raising that price except to divert it to Brockville ?

A--Excuse me, Mr. Chairman, there was no attempt made by anyone to divert it to Brockville. I object to your using that term.

Q--I wish you had been down there to hear what those people say ? A--I have never done anything to divert anything from its proper channel, as I see it as a Trustee.

Q--It was diverted -- A--It was diverted, but the firm came to Brockville.

COMMISSIONER J. A. ROSS: Q- Wouldn't it be proper for you to divert it, because anyone knows you had your liability covered in Brockville ?

A--We didn't divert it, we didn't suggest where they should locate, but we do this: Where the municipality itself is going to be a loser, if there is a loss, we deal with them

on one basis, as any business man would or any trustee would. When you come to a district where a municipality assumes no responsibility at all we have got to make a profit, naturally for the System that we are operating, that is what we want.

Q--In other words, your financial balance sheet on the books forced you to divert it to a place where you would make a profit ? A--It is merely a principle we have established. We made a lot of money on \$16 power that went to the credit of the Central Station at Niagara Falls, and helped all the municipalities to Windsor, and I remember Col. Henry saying, that is the proper principle, you have got no contract there. They are not in a municipality where we have a contract. We make a contract with this firm. The companies are, usually, very strong financially, and we have guarantees. We must see to it that we get a big price in case of a loss, where the municipalities are not interested at all, or to see that the municipalities, where they are interested, are not penalized. There are no users at all in Cornwall who would be penalized because that pulp mill went to pieces.

Q--I think you mean exactly the same thing as I do. It is good business on your part to see that the industry is placed where it won't default to your loss ?

A--No, you haven't got me right, that is if they did default such as this one paper industry did, we accordingly made a contract with them, and that concern, because of the bad condition the war created for pulp and paper industries, went to the wall. I don't know the particulars, but I do know there is a loss there. Now, who bears that loss ? Not Cornwall users or Cornwall taxpayers, but that goes against the System, all the municipalities, and in view of a contingency such as that we make a contract whereby we always have a few dollars to come and go on, so that if we make money that money

goes to the credit of the municipalities that are responsible, and if there is a loss they have got to sustain it.

THE CHAIRMAN: You had just as much prospect of making a loss when you gave the original figures as when you gave the second figures. You had no agreement when you sent out the second figures? A--I have no recollection. I know we went into it very thoroughly, and I know that we endeavoured to get a price so that if this industry should, for some reason, go wrong, we would be making money in the meantime. You have to have some system of arriving at a price.

Q--Did you express to the Eugene Phillips Company any desire that they should locate at Cornwall instead of Brockville?

A--Certainly not.

Q--One of the witnesses at Cornwall said "The Hydro put the guns to us"? A--That is a case of sour grapes. I know that we made no offer. I went down and addressed them at two meetings, at the request of the citizens there, and tried to explain the whole situation. I think it was an extension of the franchise to the local company of a street railway and electric system, and I told them, of course, that we could go and do business in the community, even if it did not carry. It is all speculative, to a certain extent, of course, making a contract with anybody.

Q--You had a number of men down in that campaign in Cornwall?

A--Yes.

Q--Out of what funds, Sir Adam, were their services paid?

A--I don't know, I think the Province usually paid that.

A--On what ground can you justify that? A--There is always a fund voted for that sort of thing. I think ever since Hydro started the municipalities would ask for estimates and, in this way, we went on with the work. I know that was taken up when I was in the Government, and they said, well, we will vote it, and since then the Province has assumed it.

Q--I understood in this case that there had been no request from them for a survey, but that you went into the ^{municipi-}palities and took part in the local fight. The Mayor said that ? A--Of course, the Mayor didn't want Hydro.

Q--He says the Council passed no resolution asking you to go there ?

MR. GABY: The Citizens League did though, they had passed resolutions.

THE CHAIRMAN: That was just an Association of citizens, but the Council passed no resolution, he says.

SIR ADAM BECK: The members of the Council took part in it.

COMMISSIONER J.A. ROSS: The Board of Trade.

THE CHAIRMAN: Do you think you would be justified in charging to the Province such expense where a local association asked you to go there ? A---Yes, we have done that.

Q--What is the nature of the contract with the Cedar Rapids Company? A letter from Mr. Gaby was produced, or a copy of a letter, in which it is stated you had an understanding or agreement with them, I am not sure which, by which they were not to compete with you in the sale of power in that district? A--I don't know.

Q--Do you know if there is any written agreement ? A--No. I mean I haven't a recollection of the difficulties.

Q--Have you any recollection of any agreement at all ?

A--No, I will have to look it up .

THE CHAIRMAN: Mr. Gaby, I think you were going to see what you had?

MR. GABY: We looked that up, Mr. Chairman. A draft agreement was drawn up between us at that time, for the supply of power. As I remember it, we couldn't get an adequate supply from Morrisburg, and another plant we were getting a small quantity from, that the Government would not allow the

development to go on, or any work, and we were authorized to build these lines by the Government, the Whitney Government I think it was. This power was going to the United States from Ontario and the Government, I suppose, told this company to make available so many thousand horse-power at such and such a price to the Hydro, and that is being supplied to us under that direction. I don't know what communication we have with the company.

Q--You don't know of any understanding between you and the company? A--I don't know what there is there.

Q--Have you satisfied yourself, Mr. Gaby, as to whether or not there is any written agreement? A--I haven't gone completely through the correspondence, I have only gone through part of it. Letters are being looked up by the staff at the present time to see what they can get. We have a copy of an agreement there, but I haven't read it all through.

Q--That is a draft agreement? A--That was the agreement that was proposed to be entered into, but subsequent to that it was left in abeyance until such time as the Commission knew what the conditions would be down there, and it has been extended from year to year.

SIR ADAM BECK: The price was fixed?

MR. GABY: Oh, yes, at \$15.

SIR ADAM BECK: I know we objected to it, we only wanted to pay \$12.

THE CHAIRMAN: Is there anything more, Sir Adam, that you would like to say about any of those subjects we have been taking up? I don't want you to feel that I haven't asked enough questions?

SIR ADAM BECK: You have a wonderful way of asking questions, Mr. Chairman. You have a document there in front of you, and you put the question to me.

Q--As a matter of fact, I have no document here. If I ask

you any question, Sir Adam, to which you don't know the answer, don't try to answer it, I don't want to take you by surprise.

A--We try to accommodate you and help you if we can.

Q--I am not questioning that at all. I try to put the questions fairly to you, and if I don't succeed I am sorry?

A--Well, you don't succeed very well.

Q--I want to know about Thursday. Mr. Pope tells me you would like to be at Windsor? A--I didn't say so.

Q--And instead of opening at 10 o'clock we fixed it for 2 o'clock? A--I was told that you had expressed your views, and that it was imperative that I should be there because of the negotiations ^{with} the D.U.R. people.

THE CHAIRMAN: The secretary told me, Mr. Pope, that you said Sir Adam wished to be present.

MR. POPE: What I meant was the purchase and operating of the Essex System, and I told him if that was what was wanted, Sir Adam would want to be there.

SIR ADAM BECK: Who says Sir Adam should be there. I said it would be rather difficult for me to be there in the morning, because of arrangements I had made.

THE CHAIRMAN: Well, is that satisfactory?

SIR ADAM BECK: Well, I will try and get there. I will have to sit up all night to be there in the afternoon.

THE CHAIRMAN: Mr. Pope, something was said about giving us a chance to see the lines. Could we do that on Thursday morning?

MR. POPE: The Superintendent there will be told to take you over the line.

THE CHAIRMAN: Because we had intended opening at 10 o'clock. To whom should we report up there, Mr. Pope?

you are a very good person, and I am sure you will be a very good person in the future.

And I am sure you will be a very good person in the future.

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And I am sure you will be a very good person in the future.

MR. POPE: That can be arranged right now,
Mr. Chairman.

SIR ADAM BECK: You don't have to report, Mr. Chairman,
we will have the Superintendent look you up.

THE CHAIRMAN: We shall arrive there late Wednesday
night, and we will go to the hotel and will be ready
to start at 9 o'clock Thursday morning.

SIR ADAM BECK: We will advise him to get into
communication with you first thing in the morning, and he
will be told to arrange for a car or whatever is required
to take you over the System.

(The Commission adjourned at 1.40 p.m. Tuesday,
9th January, 1923, till Thursday, 11th
January, 1923, at 2 o'clock at Windsor.)

MR. TOLSON: That can be arranged right now.

MR. CHAIRMAN:

SIR ALAN WICK: You don't have to report, Mr. Chairman.

We will have the Superintendent look you up.

THE CHAIRMAN: We shall arrive there late Wednesday.

right, and he will go to the hotel and will be ready

to start at 9 o'clock Thursday morning.

SIR ALAN WICK: We will advise him to get into

communication with you first thing in the morning, and he

will be told to arrange for a car or whatever is required

to take you over the system.

(The Commission adjourned at 1:40 p.m. Tuesday,

22d January, 1933, till Thursday, 23d

January, 1933, at 9 o'clock at Windsor.)

